

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Professional Notes.

THE New Year's Honours List, which was issued the day following the publication of our last issue, contains the names of Mr. F. J. Alban, F.S.A.A., of Cardiff and Newport, who receives a C.B.E., Mr. John Allcock, F.S.A.A., City Treasurer of Cardiff, and Mr. Frederick Davey, F.S.A.A., formerly Director of Accounts at the Ministry of Labour, who become O.B.E. Mr. W. A. Middleton, O.B.E., C.A., Chief Auditor and Secretary to the National Insurance Audit Department, is created a C.B. There are also some interesting names in the list, of public men well known in accountancy circles but who are not directly connected with the profession.

Sir Francis Goodenough, whose address to the Incorporated Accountants' Students' Society of London on the Principles of Commerce will be found in this issue, is the President of the Incorporated Sales Managers Association, and is probably the greatest exponent in the British Isles of the art of salesmanship. It is of interest

to note that at the start of his career he spent twelve years in the accountant's department of the Gas Light and Coke Company, and, as he points out, the knowledge he then acquired has been a great help to him in understanding how one department of a business fits in with another, and how one aspect of a business is related to another. Included in the same report is a short address by Mr. A. de V. Leigh, Secretary of the London Chamber of Commerce, on the Principles of International Commerce. We are glad to note that the London Students' Society is to hear more of Mr. Leigh, as he has undertaken to deliver a lecture on March 22nd next on that important but somewhat difficult subject, "Monetary Policy."

The Syllabus of the Spring Session of the Incorporated Accountants' Students' Society of London, published in this issue, contains some interesting and important subjects for consideration. "The Accountant and the Journalist," upon which Mr. A. S. Wade, City Editor of the *Evening Standard*, proposes to discourse, will provide his hearers and a larger circle with material for reflection, while "The Monetary Policy," as stated above, is to be dealt with by Mr. A. de V. Leigh, Secretary of the London Chamber of Commerce. "The Problem of the Retail Selling Price," "The Duties and Liabilities of Executors," and "The Law relating to Profits available for Dividends" are more strictly professional items in the programme, but nevertheless demand ample consideration and also merit discussion.

Lord Macmillan has agreed to act as Chairman of the Committee which was appointed by the Lords Commissioners of the Treasury on October 31st, 1927, "To prepare a draft of a Bill or Bills to codify the law relating to the Income Tax, with the special aim of making the law as intelligible to the taxpayer as the nature of the legislation admits, and with power for that purpose to suggest

any alterations which, while leaving substantially unaffected the liability of the taxpayer, the general system of administration and the powers and the duties of the various authorities concerned therein, would promote uniformity and simplicity." Sir Frederick Liddell has hitherto presided over the Committee, which has held 80 meetings. He will remain a member of the Committee, but it is thought desirable that the Chairman should now be the holder of some important judicial office.

The annual dinner of English-speaking accountants in Paris, reported by us in another column, was presided over by Mr. C. H. Evans, A.C.A., of Messrs. Price, Waterhouse & Co. In proposing the toasts of "The President of the Institute" and "The President of the Society," he pointed out a fact which has been previously mentioned in our columns, that Mr. Hill was the head of a famous firm established in the City of London no less than 138 years ago, and that in Mr. Henry Morgan the Society had a President whose views upon matters professional and commercial were always expressed with refreshing vigour and originality, and listened to with interest and respect.

Respecting the more liberal view which the Inland Revenue has now decided to take with regard to obsolescence of plant and machinery, the particulars of which we published in our last issue, some further illustrations have now been issued to the Shipbuilding Employers' Federation in relation to the application of the obsolescence rule to shipping matters. The illustrations referred to will be found in another column, but the principle involved is substantially the same as was indicated in last month's statement in regard to other classes of business.

A rather curious case came before the Court of Appeal last month in the matter of *Thompson v. Trust and Loan Company of Canada*. The defendants, being a financial company, were liable to assessment upon profits arising from the purchase and sale of stocks and shares, and in the course of their dealings they entered into a number of transactions through members of the Stock Exchange for the purchase of $5\frac{1}{2}$ per cent. Treasury Bonds. A purchaser of these bonds was required to pay, in addition to the market price, a sum equal to the accrued interest on the bonds. What happened in this case was that the bonds were bought cum coupon and sold the same day ex coupon, the company retaining the coupons and receiving the interest less Income Tax, which was deducted under Schedule C. It was claimed by the Inland Revenue that

the balance of the interest after deducting tax ought to have been brought in by the company as a profit and assessed under Schedule D, the argument being that the interest received, less tax, on cashing the coupons was a receipt of the company's business which had to be added to the selling price of the bonds in order to arrive at the profit or loss on the transaction.

Their Lordships affirmed the judgment of Mr. Justice Rowlatt, and held that the interest in question was not assessable as a profit under Schedule D. Lord Hanworth, in delivering judgment, said that the fallacy in the Crown's case was that they wanted to say that the company did not buy bonds only, but bonds and coupons not then due. What the company did in fact buy was bonds with all their rights. He further pointed out that, as had been laid down in the case of *Fry v. Salisbury House Estate Limited*, an item that had already been taxed under one Schedule could not be subjected to tax under another. In this case the interest had been taxed under Schedule C and was therefore not liable to be taxed under Schedule D.

The offer of conversion of National Savings Certificates of the first issue (the 15s. 6d. Certificates) is now in operation and will continue up to March 31st next. The terms of conversion have been widely circulated and need only therefore be briefly repeated here. Holders have three alternative methods of conversion open to them, namely, to receive in exchange:—

- (a) National Savings Certificates (Conversion Issue) of 16s. each which will amount with interest to 24s. at the end of ten years, the rate of compound interest working out at £4 2s. 9d. per cent. per annum.
- (b) Conversion Loan 1940/44 carrying interest at $4\frac{1}{2}$ per cent. and issued at 5s. per cent. below the market price at date of conversion.
- (c) National Savings Bonds (Series B) carrying interest at 4 per cent. with a bonus of 3 per cent. on repayment at the end of ten years.

The new Savings Certificates will not be subject to Income Tax but the Conversion Loan and the Bonds will, although the tax will not be deducted at the source.

While holders have the option of holding their present Certificates, there is a distinct inducement to convert, as the new Savings Certificates will carry interest at a higher rate than the old 15s. 6d. Certificates. Holders will, however, have to bear in mind that the limit of their holding will

still be 500 Certificates, and therefore, as the present value of the 15s. 6d. Certificates acquired at the beginning is over 30s. each and the price of the new ones is only 16s. each, there will, in the case of those who at present hold anything approaching the maximum number of Certificates, be a margin left over which they will have to take in cash or convert either into the $4\frac{1}{2}$ per cent. Conversion Loan or the 4 per cent. National Savings Bonds. In the case of the former the holder takes the risk of fluctuation in value, but in the case of the latter the value is guaranteed.

According to the *Bankers' Magazine* the valuation of 365 representative securities at the end of last year showed a fall of almost 14 per cent. on the year. This fall exceeds the total of the two previous years. Taking the last three years together the value of these representative securities has dropped from £7,069,751,000 to £5,467,492,000, a shrinkage of over $22\frac{1}{2}$ per cent. As might be expected, the fixed interest bearing securities show a smaller depreciation than those having a variable rate of dividend.

For the year 1931 the amount of bills and cheques paid through the London Bankers' Clearing House showed a falling off of £7,322,485,000, or about 16.8 per cent., the total turnover being £36,235,869,000. This is the smallest turnover since the year 1921, but the falling off is perhaps less than might have been anticipated in the exceptional circumstances and shows favourably when compared with the New York clearing figures, which record a reduction of 23 per cent., with a still larger drop of nearly 28 per cent. in the preceding year.

At present, when public companies are passing through difficult times and directors may be reducing or waiving a part of their fees, it is interesting to recall the provisions of sect. 22 of the Finance Act, 1926, which provides that when a source of income still continues to exist a person is assessable notwithstanding that no profits or gains or income arise from that source for or within the year of assessment. The consequence is that, although a director may be receiving reduced fees, he is still assessable on the basis of the fees received by him during the preceding year, and it would appear that if he is still a director he may be liable although he is receiving no fees at all. The section referred to will fall heavily upon directors in a time like the present, but when fees are being increased they will gain a compensating advantage. There seems to be a danger that waivers of fees may be regarded as voluntary gifts, and it would appear

from statements which have been made by Chancellors of the Exchequer from time to time that the only means of avoiding assessment on the basis of the fees of the previous year is to enter into a new contract.

The cost of fire losses in Great Britain and Ireland during the year 1931 amounted to nearly £8,000,000. This is £1,070,000 less than the previous year and nearly £4,000,000 less than the year 1929, which was an exceptionally expensive one for the Insurance companies. The months in which the heaviest losses took place in 1931 were March and September, which in each case exceeded £1,000,000. The totals refer to direct damage only, and do not include consequential losses.

Speaking at the Annual General Meeting of the Bar last month, the Attorney-General (Sir William Jowett), who presided, referred to the Council's report on the expense of litigation, and said that the matter was receiving urgent and immediate consideration with a view to introducing some of the reforms which had been pressed on them so as to assure members of the public that if they wanted to go to law they need not ruin themselves and their descendants by so doing. The princely scale on which some people went to law might lead many to think that litigation was a very expensive matter, but he could assure them that it was not necessary to ruin oneself in order to get justice. With reference to litigation in the Appeal Courts, Mr. Mitchell-Innes said the multiplication of appeals raised a vista both of time and money which only rich litigants could face, and although the question had for the present been put on the side track he hoped it would at no distant date be put on the main line. The subject of counsel's retaining fees had been discussed with the Law Society, and he hoped that the fruits of those discussions would appear before the next annual meeting.

Mr. Harold Cox has again been writing to *The Times* advocating the issue of a complete statement of the total expenditure of our National Government. Confusion, he says, is caused by the practice of charging part of the expenditure of one department to another department, and further by the practice introduced in recent years of treating certain forms of expenditure as "self-balancing," the effect being that, in the case of some departments, only the balance of expenditure or revenue is recorded. The total estimate of expenditure for the year is thus reduced very substantially, and at present the real amount is not disclosed.

INFORMAL EVIDENCE IN ARBITRATIONS.

THE recent case of *Mercer v. Reid* provided a very curious—and important—illustration of the inadvisability of allowing evidence in arbitrations to be given informally. Arbitrators are quite commonly willing to dispense with formalities of evidence where both parties before them agree to such a course, since informal and non-technical trial of issues appears to be the very essence of the system of justice administered by them. Nevertheless, disputants who resort to arbitral tribunals very frequently seek to upset a decision arrived at after an informal inquiry, even when—as in *Mercer's* case—that informality has resulted in their advantage.

The facts in the case referred to were as follows. A partnership business was dissolved by the death of one of the partners. By the Articles it was agreed that any dispute or difference should be referred to arbitration. A sole arbitrator sat, accordingly, to decide the issue between *Mercer* and *Reid*, who represented the two interests (of the surviving kin) in the partnership assets. The issue consisted simply of the question how much of the remaining assets was attributable to each of the partners, and how much *Reid* should pay to *Mercer*, or *vice versa*, to wind up the estate, and to settle all outstanding accounts between the partners. The arbitrator heard the evidence tendered to him in proper formal manner, and concluded thereon that a sum of £5,090 was due from *Reid* to *Mercer*. Thereafter he proceeded to a quarry, where the partnership business had been conducted, and spoke with an employee there as to the materials then remaining. As a result of that conversation he modified his estimate of the sum due from *Reid*; he awarded that *Reid* pay £5,000. *Reid*, then, had in fact benefited from the arbitrator's private conversation with the employee. Nevertheless, he applied to the Court to have the award set aside on the ground of misconduct by the arbitrator in the hearing. Evidence, *Reid* contended, should not be taken in the absence of the parties, since they are thereby deprived of their right to cross-examine.

The Court said that it was not seemly in *Reid* to seek to set aside the award on the ground of the arbitrator's misconduct (if any) since it had resulted in advantage to himself; in any event, they were reluctant in this particular case to set the award aside, since £90 constituted so small a proportion of the total sum which was the subject of the award, and it would be a pity if the time and expense of the arbitral proceedings should be thrown away.

The Court will, nevertheless, as a general rule set aside an award because of informality in the taking of evidence, even where the evidence received in an informal manner is not vital to the case as a whole. The Arbitration Act, 1889, provides, by sect. 11, that "the Court may set the award aside" "where an arbitrator or umpire has misconducted himself," or where "an arbitration or award has been improperly procured." In *Williams v. Wallis & Cox* (1914) Mr. Justice Atkin was careful to point out that "misconduct" does not necessarily involve "personal turpitude on the part of the arbitrator."

Leading cases show that Courts have not always been disposed to overlook the arbitrator's informality as did the Court in *Mercer's* case, from which, indeed, no general rule should be drawn, since its decision was expressly based upon the particular facts. In *Walker v. Frobisher* (1801), for example, Lord Chancellor Eldon set an award aside where the arbitrator, after having announced that he had closed the evidence, took a note of statements made by three witnesses—in the absence of the parties—although he swore in an affidavit that their statements in no way affected his mind in arriving at his decision. "A judge must not take upon himself," said Lord Eldon, "to say whether evidence improperly admitted had or had not an effect upon his mind." An award such as this cannot be supported, on general principles, even though it "may have done perfect justice." Again, in *Plews v. Middleton* (1845), two arbitrators had to decide what sum was due from one of the disputants to the other, by way of principal advanced, and what sum, if any, was due by way of interest thereon. At formal arbitration proceedings they came to the conclusion that a sum of £121 was due as principal; they were unable there and then to decide how much was due as interest. They agreed between themselves, accordingly, to interview a lady who could give the necessary information; unfortunately, other engagements prevented their doing this immediately. In fact one of the arbitrators spoke to her on one day, and the other on a later date. On comparing notes they found that they had each fixed upon the sum of £12 as being the proper amount to award as interest—in view of the lady's answers to their questions. The private interview of an arbitrator constitutes misconduct of a hearing, as being contrary to the dictates of natural justice and the practice of our Courts—and it is the duty of arbitral tribunals to follow the principles of natural justice as administered by our Courts; furthermore, where there are two arbitrators they must take evidence together; to take statements

separately is contrary to the rules of judicial procedure. Upon these facts the Court set aside the award. It had been procured, said the Court, "by undue means," and "by a departure from natural justice" in the ascertainment of the facts, even though "the erroneous proceeding related to a very small matter."

"I am ready to go very far in ignoring technicalities and irregularities on the part of arbitrators," declared Lord Justice Scrutton in *Czarnikow & Co., Limited, v. Roth, Schmidt & Co. (1922)*, "unless there is some real substance of error behind them. But I think commercial men will be making a great mistake if they ignore the importance of administering settled principles of law in commercial disputes, and trust to the judgment of business men, however experienced in business, based only on the facts of each particular case, and with no knowledge of or guidance in the principles of law which must control the facts." In the same case Lord Justice Bankes stated his objections to allowing arbitrators to dispense with formalities as being based upon the fear that "unlimited power does not conduce to reasonableness of view or conduct." Where a discretion as to the mode of hearing a case is allowed him the arbitrator may be "a law unto himself . . . in other words, outside the law."

Without taking an extreme legal view as to the importance of strict formality in the taking of evidence, it may be concluded that where the possibility of an appeal is contemplated—from an arbitral tribunal to a court of law—dispensing with formality must leave open the way to additional grounds for appealing, which is a consummation to be studiously avoided. Where, however, parties intend to abide by a decision as final there is considerable scope for dispensing with technical rules of evidence and proof—by agreement with the parties themselves.

STUDY FOR ACCOUNTANCY EXAMINATIONS.

[CONTRIBUTED.]

THERE is no one both so willing to listen to advice and yet so reluctant to accept it as the man who is working for an examination. He reads every word he can find on "Systems of Study" and the like, in the hope that he may distil from them the essence with which examiners are confounded. Yet there lingers the thought, tinged with despair, that all this advice avails him little, and that nothing can take the place of solid reading of text books in his own way. There is, of course, no royal road for passing any professional examination to-day, except

determined and steady work. The examinations would be at fault if this were not so, for they are a test of character as well as of knowledge. But all work is not equally effective, and much valuable time may be wasted by failing to make the memory yield its best service or by not tackling the syllabus in the best way.

A candidate for examination who does not arrange to have some expert coaching starts under a serious handicap. Until the profession establishes a College of Accounting, the best tuition is that given by correspondence schools which specialise in accountancy subjects. Any candidate of average ability who completes one of these courses systematically and conscientiously has gone a long way towards success.

But tuition by correspondence is, at best, only a substitute for organised class-work. This has been recognised by several of these schools, which now give lectures to supplement correspondence studies. Some candidates working at high pressure are inclined to regard attendance at lectures as time wasted, on the ground that the subject of the lecture could be studied more quickly from text-books. But there can be no doubt that the average person finds it easier to remember what he has heard at a lecture than what he has merely read, and, moreover, a good lecturer always gives illustrations of his points and additional information which are not to be found in text-books. In particular, candidates should lose no opportunity of attending lectures organised by the examining body, which are an invaluable guide to the latest thought on all the subjects of the syllabus. There must surely be more than mere coincidence to explain the frequent appearance in examination papers of questions which had recently formed the subject of these lectures.

Nothing worth having can be had without sacrifice. The candidate must decide at the outset not to let anything stand in the way of the work on which his future depends. A certain amount of leisure is necessary to prevent staleness and for health's sake, but even leisure hours should be organised to give the greatest recreational value. It is an excellent plan to leave the week-end free from study, spending as much time as possible in out-door exercise. However tired the brain may be on Friday night, two day's rest will enable it to face the next week's work fresh, alert and receptive.

The eye and the ear can be trained to assist the memory. An effort should be made to retain a photographic impression of each page read; with this object in view, always study from the same copy of the text-book. If the position on the page of a particular passage can be fixed, the sense is much more easily remembered, and each part is recalled in relation to the context. This method is the best cure for the confusion which sometimes afflicts candidates studying several subjects at the same time. Definitions and other condensed statements should be read aloud several times until their sound becomes familiar. If they can be made to rhyme or to fit the rhythm of a song, so much the better.

Mnemonics are decried by some as the worst excess of the crammer. But so long as examiners expect a knowledge of not only the principles, but also the detailed procedure of subjects such as "Rights and Duties," wise candidates will continue to use them. No mnemonic is so valuable as the home-made one. The effort in constructing it will impress the facts on the memory, and the more ridiculous the subject is, the longer it will endure.

Many students spend too much time on the subjects which they know, and therefore like, best. Accounting and auditing are general favourites, because they are practical and closely connected with the candidate's ordinary work. The most usual stumbling blocks are the legal subjects, which should therefore have first claim on the time of the candidate in the early stages, even if this means spending less time than seems desirable on the remainder of the syllabus. A sustained attack should be made on an acknowledged weak subject until it is mastered. The very fact of having started by surmounting the most difficult obstacle will breed confidence and make the rest of the task seem lighter.

Practice in answering questions is essential in order to drive home the salient points of the matter studied and to acquire facility in putting thoughts rapidly and concisely on paper. Questions should be answered without using the text-books. Where this is impossible owing to lack of time, it is better to write out the answers to questions with the aid of the text-books than merely to learn the text without doing any written work. In such circumstances it is a good plan to do most of the actual reading at odd times during the day—before breakfast, in trams and trains—and to devote the evenings to preparing model answers to questions on the chapters studied. Every three months there should be a stocktaking of knowledge gained by a test of all the subjects studied, under examination conditions, keeping rigidly to the time allowed. Only by pitting one's knowledge against the paper in the examination atmosphere can progress be measured and the terrors of the examination room overcome by familiarity.

Valuable time is often wasted by making elaborate note-book summaries of text-books. It is useful to have a pocket-book to be studied in any spare moment, but this should contain only matter which has to be learned by heart—definitions, key sentences of statutes, mnemonics, &c. The text-books should be the basis of all study and liberal underlinings and annotations will serve to drive home the fundamental points.

Every opportunity should be taken of acquiring practical knowledge of the subjects studied. This is particularly important in the case of Costing, which a student who has never seen a set of cost accounts generally finds difficult to visualise from the text-books. The accounts of a motor and repair shop form an excellent introduction to Costing, and the resourceful candidate, with no other opportunity of studying such accounts, will find that the acquaintance of a garage proprietor is worth cultivating.

The importance of keeping in touch with topical matters of professional interest cannot be over-

estimated. A close study of the columns of accountancy journals is of the greatest possible value, not only for the information on current questions which is to be found nowhere else, but also for the acquisition of the general background of professional knowledge. Further, no candidate is properly equipped who does not read the legal and the City pages of a reputable newspaper every day. Economics never had a greater news value than to-day, and the science can be made to shed its reputed dismalness and to become of absorbing interest if it is related to everyday life.

The candidate who is most likely to do well is one who regards his studies not as mere drudgery to be left behind as soon as he has passed his examination, but as an initiation and a stepping-stone to his profession. Each subject should be considered an integral part of the whole wide field of knowledge known as Accounting. A narrow view of his studies, a rigid division of the facts he acquires into the subjects of the syllabus, will reveal itself to the examiners in those searching questions which call for broad general knowledge of professional and business matters. The inter-relation of subjects should be continually borne in mind until the artificial boundaries which have to be erected for examination purposes are broken down. A thorough understanding of fundamental principles, amplified by wide general reading of accounting topics, is a vastly better equipment both for the examination and for a professional career than a mere mass of facts gained by tedious cramming.

Changes and Removals.

Messrs. Blackburn, Coates & Co., Chartered Accountants, have removed their offices to Commerce House, Cheapside, Bradford.

Mr. Harold Foulston, Incorporated Accountant, has removed his offices to 5, Leopold Street, Sheffield.

The partnership heretofore subsisting between Mr. Eric Friis, A.S.A.A., and Mr. F. L. Parry, A.C.A., under the style of De Freece & Parry, has been dissolved by mutual consent. Mr. Friis will continue to practise at 128-132, Shaftesbury Avenue, London, W.1, under the style of Shaw, De Freece & Co., Incorporated Accountants.

Messrs. Palmer, Haines, Inkson & Co., Guildhall Annexe, 23, King Street, Cheapside, London, E.C.2, announce that their senior partner, Mr. George Palmer, Incorporated Accountant, has retired from practice. The business of the firm will be continued by the remaining partners under the same name as heretofore.

Mr. R. H. Seeger, Incorporated Accountant, announces a change of address from 32, North Parade to 10 Piccadilly, Bradford.

Mr. A. J. Shah, B.Com. Incorporated Accountant has commenced public practice in Bombay under the style of A. J. Shah & Co.

Messrs. G. W. Wheeler & Co., Incorporated Accountants, Cathedral House, Paternoster Row, London, E.C.4, and Bromley, announce that Mr. W. A. Read, A.S.A.A., has been taken into partnership. There will be no change in the name of the firm.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on January 21st, when there were present: Mr. Henry Morgan (President) in the chair, Mr. E. Cassleton Elliott (Vice-President), Mr. R. Wilson Bartlett, J.P. (Newport, Mon.), Mr. Henry J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Frederick Holliday (Leeds), Mr. Thomas Keens, D.L. (Luton), Mr. Ernest T. Kerr (Birmingham), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. William Paynter (London), Mr. A. E. Piggott (Manchester), Mr. J. Stewart Seggie (Edinburgh), Mr. Percy Toothill (Sheffield), Mr. R. T. Warwick (London), Mr. Richard A. Witty (London), Mr. A. E. Woodington (London), Mr. Fred Woolley, J.P. (Southampton), Mr. E. E. Edwards, B.A., LL.B. (Parliamentary Secretary) and Mr. A. A. Garrett, M.A. (Secretary).

Apologies for non-attendance were received from Mr. Walter Holman, Mr. Edmund Lund, Mr. Alan Standing, Mr. A. H. Walkey, Mr. F. Walmsley, J.P., and Mr. E. W. C. Whittaker, J.P.

INTERNATIONAL CONGRESS ON COMMERCIAL EDUCATION.

It was resolved to accept an invitation to participate in a Conference to be held in London in the last week in July, 1932.

DEATHS.

The Secretary reported the death of the following members: Conwell Ralph Barton (Associate), London; Frederick Charles Crosland (Associate), Leeds; William Michael Ambrose Desmond (Associate), Melbourne; Francis Charles Gardiner (Fellow), Scarborough; Thomas Whalley Gray (Fellow), Nakuru, Kenya Colony; Frank William Hanson (Associate), Sheffield; Robert Hilditch (Fellow), Liverpool; Ernest Edward Hill (Fellow), Cardiff; Joseph William Holmes-White (Associate), London; Frederick William Garforth Howarth (Fellow), Johannesburg, South Africa; Charles George Selfe (Associate), Horley, Surrey; Charles William Silversides (Fellow), London; Edmund Woodroffe (Fellow), London.

Other business was transacted.

BANKRUPTCY (ENGLAND).

Fees.

The following Order, dated January 1st, 1932, has been issued by the Lord Chancellor:—

1. Fee No. 10 in Table A in the First Schedule to the Bankruptcy Fees Order, 1930, is hereby revoked, and the following fee shall be substituted therefor:

"10. On an application for an order of discharge including the expense of gazetting the same, in respect of each debtor covered by the application £1 10 0
And for each creditor to be notified 1 0"

2. This Order may be cited as the Bankruptcy Fees (Amendment No. 1) Order, 1932, and shall come into operation on January 13th, 1932, and the Bankruptcy Fees Order, 1930, as amended, shall have effect as further amended by this Order.

CO-OPERATIVE SOCIETIES AND TAXATION.

Special Report of the Association of British Chambers of Commerce.

The Association of British Chambers of Commerce have unanimously adopted the report of the Finance and Taxation Committee of the Association on the position of Co-operative Societies in relation to taxation. The report, which has been submitted to the Chancellor of the Exchequer, states that the Association is not opposed to the system of co-operative trading, but it feels that the advantages enjoyed by Co-operative Societies in regard to taxation are such as to render the competition of these societies extremely unfair to other general trading undertakings.

The report explains the nature and extent of this privileged competition, and emphasises the necessity for initiating legislation whereby these injustices to the trading community may be removed. The following are extracts from the report:—

MEMBERSHIP OF CO-OPERATIVE SOCIETIES IN 1930.

	Members.	Population.	Percentage of Members to Population.
England ..	5,442,841	37,354,917*	14.57
Scotland ..	744,448	4,842,554*	15.37
Wales ..	154,284	2,593,014*	5.97
Total (including N. Ireland) ..	6,402,966	46,036,485*	13.91

* Provisional figures 1931 Census.

While in 1911 the members numbered 2½ millions, representing one-twentieth of the population, in the following ten years the membership had grown to 4½ millions, representing one-tenth of the population; and in the following nine years had grown to 6½ millions, representing one-seventh of the population.

From the point of view of the societies this is, no doubt, satisfactory, but, as this extensive increase must represent a serious withdrawal of customers from the shops owned by private traders, it is necessary for the public to be assured that the success attained is not to some extent due to privileges which the private trader does not enjoy.

SHARE AND LOAN CAPITAL OF CO-OPERATIVE SOCIETIES

(1) Share Capital.

Year.	Retail.	Wholesale.	Total.
1930 ..	£112,957,896	£12,633,629	£125,591,525

(2) Loan Capital.

Year.	Retail.	Wholesale.	Total.
1930 ..	£22,972,023	£68,445,750	£91,417,773

At the end of 1930 the share and loan capital were respectively £125.6 millions and £91.4 millions, making a total capital of £217 millions. This is exclusive of reserves and insurance funds, which amounted to £16,672,979. In addition to this, in 1930 the Co-operative Insurance Society had reserves and insurance funds amounting to £11,331,596, with a share capital of £20,000.

The reserve funds of the retail and wholesale societies amounted in 1930 to £16,672,979. These reserves are formed not only for strengthening their position, but also for providing free services to members in the direction of legal advice, libraries, educational classes, scholarships, entertainments, &c., and generally in promoting cultural service.

Retail Societies.—The actual retail sales during 1930 were as follows:—

Year.	Amount.	Average Sales per Member.
1930 ..	£217,318,001	£38 18 10

Wholesale Societies :

Year.	Trade Done.	Per cent. of Retail Trade.
1930	£104,148,936	47.92

The statistics show the large volume of trade which has annually escaped taxation under Schedule "D."

Profit or Surplus.—Retail Societies :

Year.	Surplus.*	Of which there was allocated to— Interest on Capital.	Dividends on Purchases.
1930 ..	£26,964,985	£4,823,384	£20,443,000

Wholesale Societies :

Year.	Surplus.*	Of which there was allocated to— Interest on Capital.	Dividends on Purchases.
1930 ..	£2,712,480	Unknown	£1,398,000

* After deduction of loan interest.

The net growing balance of undistributed profit, inclusive of the reserve funds of all societies, is as follows :—

Year.	Retail.	Wholesale.	Total.
1930 ..	£9,661,572	£7,011,407	£16,672,979

THE PRESENT TAXATION POSITION.

The Income Tax Act, 1918, sect. 39 (4) provides that "a society registered under the Industrial and Provident Societies Act, 1893, shall be entitled to exemption from tax under Schedules C and D unless it sells to persons not members thereof and the number of its shares is limited by its rules or practice, but no member of or person employed by the Society shall be exempt from charge to the tax to which he would otherwise be liable."

Thus, under the shelter of this enactment, Co-operative Societies escape direct assessment under Schedule C in respect of the income derived from interest paid out of public funds, and under Schedule D in respect of annual profits and interest not chargeable under any other schedule.

This leaves the societies chargeable to tax as separate entities under Schedule A in respect of the income from property owned, and under Schedule B in respect of income from land occupied.

It is important to observe that if the societies invest surplus funds in any Government stock the income arising therefrom is not chargeable to tax, whereas if these funds were invested in property, then the income arising from the latter source is charged.

The exemption, under Schedules C and D, relieves the societies of the duty imposed on all limited companies of deducting tax from interest and dividends paid by them. The principal reason underlying the exemption would seem to be that, as a large proportion of the members of the societies are individuals whose incomes are not liable to taxation, it would involve much trouble and expense to assess the societies directly because almost all of the tax so collected would subsequently have to be repaid. The authorities, therefore, only assess any individual who may be liable and persons so liable should return for assessment any sums received as interest on capital, but not as dividends and discounts on purchases.

In 1930 the accumulated balance of undistributed profit and reserves of all the societies amounted to £16,672,979. If this sum had been retained by a limited company in its business it would have been assessed, at the rate of, say, 5s. in the £, for a sum of £4,168,244, thereby reducing the amount available for reserve to £12,504,735. But the societies are allowed, by reason of the exemption, to retain the full amount, and are thereby enabled to accumulate their reserve funds at a greater rate than any other undertaking. This is not all. If the reserves are invested, the societies obtain additional advantages in that the income from the investments is more than can accrue

to another concern because, in the first place, the investments are larger, and secondly, the income is only in part subject to taxation. This constitutes one of the reasons for the present dissatisfaction.

It is not unreasonable to assume that the increase in the trade of the Co-operative Societies must result in a corresponding decrease in the trade of other undertakings, the total profits of which suffer accordingly. These profits form a fruitful source of revenue for the Government, and any reduction in their amount will mean either a serious loss of income or that the profits remaining to private traders will bear a heavier share of taxation than that which would have been required if the profits lost to private traders and accruing to the societies were capable of taxation.

So long as the societies are to be allowed to encroach on the area of trade without being under the necessity of contributing to the State the taxation which was forthcoming formerly from an area taken over by them, the present system of taxation must be regarded as inequitable and unsatisfactory.

FUTURE TAXATION.

The whole subject of the assessment of Co-operative Societies was thoroughly examined by the last Royal Commission on Income Tax in 1920. As a result of their deliberations recommendations were made in the majority report, but it is necessary also to note that these recommendations were opposed in several reservations to that report.

The principal recommendations of the Royal Commission were :—

- (1) "Any part of the net proceeds which is not actually returned to members as 'dividend' or 'discount' is a profit which should be charged to Income Tax" (para. 550).
- (2) "The income derived from invested reserves should, irrespective of the particular mode of investment, be subject to tax." (Para. 554).
- (3) "We recommend, in effect, that a society should be treated exactly as a limited liability company trading in similar circumstances and under similar conditions, and if our proposals are acted upon it will be necessary to amend the existing law in so far as it confers special exemption on Co-operative Societies." (Para. 555).

This Association urges with the greatest possible emphasis that the recommendations of the Royal Commission should be given effect to without delay.

This request is unanimously made by the Council of the Association of British Chambers of Commerce and by the separate Chambers throughout the country comprised in that organisation, and the Council trusts that this unanimous opinion of the commercial community of the country will have due weight with the Chancellor and with the Government and that steps will be taken in the Finance Bill of 1932 to rectify the injustice.

Even when the recommendations of the Commission are carried out, the future development of the Co-operative movement should be carefully examined by the Government from time to time, as it is apparent that as the movement extends the yield of income tax from commercial undertakings must tend to decrease unless special steps are taken to ensure that all classes of trade bear their fair share of taxation.

As the co-operative movement grows, it is clear that there must be, even when the recommendations are adopted, a shrinkage in the yield of income tax from trading and industrial concerns as a whole compared

with the yield from such sources were there no co-operative trading and production.

If the recommendations of the Royal Commission were adopted it would still be possible for Co-operative Societies to conduct large commercial undertakings which would enjoy, in common with other trading concerns, all those protective and social services supported by the taxpayer, without the societies themselves making a proper contribution towards the cost of such services.

This view is strengthened by the opinion expressed in the Report of the Royal Commission (para. 506) that:—

"there will be very little difference between the liability of Co-operative Societies under our proposals and under the existing legal position . . . and we think that it should be a source of satisfaction to them that, being treated exactly on the lines of any ordinary trading company, the financial effects of the present exemption can, in substance, be still retained."

According to a statement made in the House of Commons on November 18th, 1931, it is officially estimated that for the current assessment year the income tax payable by the societies under Schedules A and B falls short by about £500,000 of the tax that would be payable if the undistributed surplus of the societies was made liable to income tax.

At the present rate of income tax about £500,000 a year would thus be obtained by the Exchequer with very little trouble and practically no additional cost of collection.

Incorporated Accountants' Students' Society of London.

Syllabus of Lectures for the Spring Session:—
1932.

- March 2nd. "The Accountant and the Journalist," by Mr. A. S. Wade, City Editor, *Evening Standard*. *Chairman*: Sir Stephen Killik (President of the Society).
- March 8th. "The Problem of the Retail Selling Price," by Mr. I. M. Sieff, B.Com. *Chairman*: Mr. E. Cassleton Elliott (Vice-President, Society of Incorporated Accountants and Auditors).
- March 15th. "The Duties and Liabilities of Executors," by Mr. J. Linahan, Incorporated Accountant. *Chairman*: Mr. G. Roby Pridie (Vice-President of the Society).
- March 22nd. "The Monetary Policy," by Mr. A. de V. Leigh, M.B.E., M.A., Secretary, London Chamber of Commerce. *Chairman*: Sir James Martin, J.P., Incorporated Accountant.
- March 29th. "The Law Relating to Profits Available for Dividend," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law. *Chairman*: Mr. Richard A. Witty, Incorporated Accountant.

Meetings are held at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2, at 6.15 p.m.

Misfeasance Summons against Directors and Auditor.

At the time of going to press the judgment in the case of the *Westminster Road Construction and Engineering Company, Limited*, had not been delivered.

PARTNERSHIP DISPUTE LITIGATION.

In the Chancery Division, last month, Mr. Justice Luxmoore heard an action by Mr. Harold Hartley Blackburn, of Frizinghall, near Bradford, and Sir Leonard James Coates, of Wettwood Lane, Leeds, against Mr. Harold Montague Barton and Sir Basil Edgar Mayhew, of Bishopsgate, London, E.C., in which the plaintiffs asked for a declaration that a particular clause in a deed of dissolution of partnership should be, if necessary, rectified.

The parties are Chartered Accountants and were in partnership, between 1920 and 1929, under the style of Blackburns, Barton, Mayhew & Co., in Bradford, Leeds, and London, with numerous foreign branches.

Mr. G. A. Slade (instructed by Maxwell, Batley & Co., agents of Simpson, Curtis & Burrill, of Leeds), represented the plaintiffs; Mr. D. N. Pritt, K.C., and Mr. E. G. Palmer (instructed by Laurence Jones & Co.), were for the defendants.

Mr. Slade said before 1920 the old-established firm of H. W. & J. Blackburn practised in Leeds and Bradford, while Mr. Barton and Sir Basil Mayhew practised together in London. The two firms entered into a partnership agreement in September, 1920, and carried on under the style of Blackburns, Barton, Mayhew & Co. The agreement was for nine years.

Unfortunately certain clauses in the agreement and in the subsequent deed of dissolution in 1929 had given rise to considerable litigation before an arbitrator, Mr. Justice Bennett and Mr. Justice Clauson.

In the partnership agreement there were provisions for a triennial review of the method of sharing profits. There was one revision in 1924 and from 1926 onwards Mr. Barton and Sir Basil Mayhew had been contending that there should be another. There were other disputes, one of which concerned the goodwill of the various foreign branches. That had, however, now been settled by defendants paying £5,000.

The point now in dispute was in connection with the particular clause of the dissolution deed which, in effect, stipulates that, if any of the parties contended that the shares of profits earned since September 30th, 1926, by the partnership should be reviewed and/or revised, he should make provision, in the event of disagreement, that the case should be put before a special arbitrator, and if such dispute should not be so put before the arbitrator by October 16th, 1930, the parties should be deemed to have abandoned all claims to such review and/or revision. The plaintiffs now asked the Court to say that that clause did not, upon its true construction, operate to prejudice them in relation to any point of law or did not confer any further jurisdiction on the arbitrator than he otherwise would have had. Alternatively, plaintiffs asked that the clause should be rectified so that it declared that its sole intention was to prescribe the procedure for the termination of the dispute and subject to compliance therewith the rights of the parties and the jurisdiction of the arbitrator should be ascertained in all respects as if the deed of dissolution had not been executed.

Mr. Slade added that several points of law had emerged, one of which was that defendants' rights to claim a revision of profits had lapsed by effluxion of time.

Mr. Justice Luxmoore complained that it appeared to him that the construction of the disputed parts of the deed of partnership—the matter before Mr. Justice Clauson and the arbitrator—would become inextricably mixed with the present application. "I do not see how I can deal with the question of rectification without de-

ciding the question of construction of the debatable clause in the agreement of partnership," he said. "That latter matter is already before Mr. Justice Clauson upon reference from the arbitrator, and I cannot be asked to decide a matter that will also be decided by another Judge. If I did I might confer rights on some of the parties to which they were not entitled." His Lordship added that he would hear more of the case before deciding whether he could proceed with it.

Mr. T. B. Simpson, of the firm of Simpson, Curtis and Burrill, plaintiffs' solicitors, then gave evidence. He said that the draft of the deed for dissolution travelled between the parties in London and Yorkshire no fewer than eight times before it was agreed and the particular clause now in dispute carried out, in his opinion, an agreement that provided the machinery for dealing with any profits dispute.

Mr. Pritt: You were under no illusion that the Southern partners had decided to drop that dispute?

Mr. Simpson: I certainly never heard them express such an intention. Witness assumed that the defendants thought a revision of the profit shares would bring them in a large sum of money, while Mr. Blackburn, seeing certain figures, would not agree to such a suggestion. There was one single fee of £13,000 earned in London and introduced by a foreign branch. That sum, naturally, formed a basis of dispute on the questions of profits earned by the Northern and Southern partners.

Mr. Harold H. Blackburn said he would not have signed the dissolution agreement had he been under the impression that he would have been precluded from raising points of law on the meaning of the clause now in dispute.

Mr. Pritt submitted that the plaintiffs had made out no case for rectification and called as a witness Mr. Charles O'Malley, principal of the firm of solicitors acting for the defendants. He stated that he always made it plain that the question of profits revision would have to be dealt with by arbitration.

Mr. Justice Luxmoore, in giving judgment, said the case was a difficult one to decide because it was but a link in a chain of litigation. It would seem that in 1924 the parties had a revision of the profits, and in 1926 the defendants asked for another review, but the matter drifted on. The partnership was dissolved in September, 1929, on notice from the defendants—or the Southern partners as they were termed—and, later, an arbitrator heard the dispute. In the course of that the plaintiffs raised certain questions of law among which was one that a revision of profits could not take place because the partnership had been allowed to expire. That was a remarkable contention; it was, in effect, the fact—as suggested by the Southern partners—that any revision was avoided by the plaintiffs until the partnership was dissolved. However, a consultative case had been stated by the arbitrator for the Opinion of a Judge in Chancery on the construction of certain parts of the deed, and meanwhile plaintiffs asked that one clause should be rectified to allow them to raise the question of law they desired to argue. They claimed that rectification should take place because the deed did not, by error common to all the parties, give effect to the real agreement arrived at by them.

He (His Lordship) could not accept the contention that the defendants, at any rate, had been mistaken as to the agreement arrived at and the fact that the plaintiffs had found that perhaps the clause in question might be construed differently from what they expected was not a true basis of a claim for rectification. In the circumstances, the action would be dismissed with costs.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

NOVEMBER, 1931.

Final.

Order of Merit.

DICKSON, ANDREW, Clerk to Alex. Aiken (Aiken & Carter), National Bank Buildings, Simmonds Street, Johannesburg. (*Seventh Certificate of Merit.*)

Alphabetical Order.

ANDERSON, ROBERT RUTHERFORD, Clerk to F. E. Roberts (Roberts, Allsworth, Cooper Bros. & Co.), Stanley House, Commissioner Street, Johannesburg.

BRYAN, HUGH TRAFFORD, Clerk to W. R. Fraser (G. Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

CHAPMAN, FREDERIC GUISEPPE, Clerk to M. van der Spuy Dreyer (M. Dreyer & Co.), 1, 3 and 7, Lawley's Building, Fox Street, Johannesburg.

FLEGG, NORMAN STANLEY, Clerk to James Douglas (Douglas Mackelvie & Co.), Sun Building, Corner of St. George's and Longmarket Streets, Cape Town.

FRAMES, COLIN PERCIVAL, Clerk to H. P. Webber (Goldby, Panchaud & Webber), Beresford House, Johannesburg.

FROST, REX STACY, Clerk to Edward Clothier, Royal Exchange Buildings, Smith Street, Durban.

HOWELL, CYRIL GEOFFREY, Clerk to F. E. Osborn, 35-36, Permanent Buildings, Smith Street, Durban.

LOW, JAMES WILLIAM, Clerk to Douglas, Low & Co., North British Buildings, Commissioner Street, Johannesburg.

PACKER, FRANK, Clerk to W. B. Gurney, London and Lancashire House, 148, St. George's Street, Cape Town.

PERKS, EDWIN WALTER, Clerk to G. K. Tucker (G. K. Tucker & Wilson), Calcutta House, Loveday Street, Johannesburg.

ROBOTTOM, AUSTIN LLOYD, Clerk to E. R. Syfret & Co., Corner of Burg and Wale Streets, Cape Town.

WALKER, REX SAMUELSON, B.Com., Clerk to Hands & Shore, 106, St. George's Street, Cape Town.

(16 Candidates failed to satisfy the Examiners.)

Intermediate.

Alphabetical Order.

ANDERSON, DOUGLAS IAN EVANS, Clerk to F. H. Allsworth (Roberts, Allsworth, Cooper Bros. & Co.), Stanley House, Commissioner Street, Johannesburg.

BAKER, HAROLD, Clerk to G. D. Orpen (E. R. Syfret & Co.), Corner of Burg and Wale Streets, Cape Town.

BURNHAM, ERNEST, Clerk to A. L. Palmer, Transvaal Goldfields Building, Fraser Street, Johannesburg.

CARLSSON-SMITH, STANLEY WILFRED, Clerk to Raymond Steyn (James Stewart & Steyn), 14-18, United Buildings, 33, Rissik Street, Johannesburg.

CLOTHIER, GEOFFREY EDWARD, Clerk to Edward Clothier, Royal Exchange Buildings, Smith Street, Durban.

DARKE, ALVERSTONE WARNER, Clerk to D. P. C. Blair, 23, Aegls Buildings, Loveday Street, Johannesburg.

DAVIDSON, ALLAN DEMPSTER, B.Com., Clerk to D. Mackeurtan (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

GIDDY, CHARLES FRANCIS VINCENT, Clerk to F. B. Gibbins (Price, Waterhouse, Peat & Co.), 10-14, Standard Bank Chambers, Johannesburg.

HERBERT, FREDERICK, Clerk to G. E. L. Horne (Compton & Horne), 374, Smith Street, Durban.

PRESCOTT, EDWIN WILLIAM GODFREY, Clerk to L. A. Whiteley (Whiteley Brothers), 76-84, Beresford House, Main Street, Johannesburg.

ROSS-SPENCER, CHARLES JOHN, B.Com., Clerk to C. S. Crosoer (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

STEWART, JACK ALEXANDER, Clerk to O. W. Compton (Compton & Horne), 374, Smith Street, Durban.

STRAKER, FREDERICK EATON, Clerk to F. B. Gibbins (Price, Waterhouse, Peat & Co.), 10-14, Standard Bank Chambers, Johannesburg.

TAYLOR, ROBERT THOMAS CAVIL, Clerk to S. R. Barnes, Somerset House, Vermeulen Street, Pretoria.

THORNHILL, FREDERICK JOHN, B.Com., Clerk to Charles Hewitt (Charles Hewitt & Trollip), 55-60, Sauer's Buildings, Loveday Street, Johannesburg.

WEEKES, WILLIAM ARTHUR, Clerk to F. J. Thresher (Deane & Thresher), S.A. Mutual Buildings, Hoffman Square, Bloemfontein.

WHELEHAN, HUGH WALTER, Clerk to K. W. Johnston (E. R. Syfret & Co.), Corner of Burg and Wale Streets, Cape Town.

WILLIAMS, LIONEL WALTER, Clerk to Sir A. T. Hennessy, 42, Burg Street, Cape Town.

WHITELEY, HUGH WILLIAM PRESTON, Clerk to J. G. Carter (Alex. Aiken & Carter), National Bank Buildings, Simmonds Street, Johannesburg.

(12 Candidates failed to satisfy the Examiners.)

Preliminary.

Alphabetical Order.

ALLSWORTH, JAMES, 47, 6th Avenue, Parktown North, Johannesburg.

DICKSON, ROBERT HENRY, 8, Avenue Mansions, Louis Botha Avenue, Johannesburg.

(1 Candidate failed to satisfy the Examiners.)

OBSOLESCENCE ALLOWANCE.

The following hypothetical cases have been supplied by the Board of Inland Revenue to the Ship Building Employers' Federation as illustrations of the application of the obsolescence rule to ship matters. These are supplementary to the statement of the Board of Inland Revenue which appeared in our last issue:—

(1) A shipowner, engaged in a particular trade, has a ship which he bought fifteen years ago at a cost of £120,000. Its written-down value for income tax purposes, arrived at by deducting from the cost the aggregate amount of the allowances already made for wear and tear, is now £48,000. Freight rates have fallen, and he is unable to get cargo at rates which will cover the cost of running the ship. He finds that he can get, at a cost of £80,000, a new ship of similar capacity which can be run so much more economically that he could anticipate

being able to carry cargo profitably at the reduced freight rates prevailing. He purchases the new ship accordingly, and sells the old ship for £15,000. In these circumstances a claim for a deduction of £33,000 would be admissible under Rule 7, representing the written-down value of the old ship—namely, £48,000, less the amount realized by its sale—namely, £15,000.

(2) A concern engaged in transporting oil to this country has a fleet consisting of tankers and of vessels carrying oil in barrels. For marketing reasons it is found expedient to increase the quantity transported in tankers and to reduce correspondingly that brought in barrels. Three barrel-carrying vessels, the original cost of which has been written down by wear and tear allowances already given for income tax purposes to £10,000, £15,000, and £20,000 respectively, are disposed of for £8,000, £10,000 and £15,000 respectively, and two tankers with an equivalent carrying capacity are acquired for £40,000 each. In the circumstances a claim could be made under Rule 7 for a deduction of £12,000, representing the difference between the aggregate written-down values of the old vessels—namely, £45,000, and the amount realized by their sale, £33,000.

ENGLISH BANKRUPTCY LAW.

Alterations in General Rules.

The following has been issued by the Board of Trade under the provisions of sect. 132 of the Bankruptcy Act, 1914:—

1. Paragraph (1) of Rule 17 of the Bankruptcy Rules, 1915, shall be annulled and the following paragraph shall be substituted therefor:—

"(1) In the High Court the Senior Bankruptcy Registrar shall file a copy of every issue of the London Gazette and in a County Court the Registrar shall file a copy of every issue of the London Gazette which contains any advertisement relating to any matter under the Act in that Court; and in the High Court the Senior Bankruptcy Registrar and in a County Court the Registrar shall file with the proceedings in any matter under the Act in such Court a memorandum referring to and giving the date of any advertisement in the London Gazette relating to that matter."

2. The following Rule shall be inserted in the Bankruptcy Rules, 1915, after Rule 168 and shall stand as Rule 168A:—

"168A. A petitioning creditor who is a money-lender shall at the hearing of the petition prove his debt by an affidavit which shall incorporate a statement showing in detail the particulars required by sect. 9 (2) of the Moneylenders Act, 1927."

3. The following Rule shall be inserted in the Bankruptcy Rules, 1915, after Rule 252 and shall stand as Rule 252A:—

"252A. In the case of a creditor who is a money-lender there shall be endorsed upon or annexed to the affidavit of proof of debt a statement showing in detail the particulars required by sect. 9 (2) of the Moneylenders Act, 1927."

4. These Rules may be cited as the Bankruptcy Rules (No. 2) 1931, and shall come into operation on the 1st day of January, 1932, and the Bankruptcy Rules, 1915, as amended, shall have effect as further amended by these Rules.

Dated the 16th day of December, 1931.

Insurance Accounts.

A LECTURE given to members and students of the North Staffordshire District Society of Incorporated Accountants and Auditors by

Mr. A. R. DAVIDSON, F.F.A., F.I.A.

Mr. DAVIDSON said: It is with some diffidence that I venture to address the members of your Society of Accountants on the subject of book-keeping. I am not an accountant myself, but, naturally, in the course of my duties as an actuary, I have had a good deal to do with the book-keeping of my office. It does not fall to every accountant to audit a life office, and consequently, it may be that there are some points to which I can draw your attention connected with the book-keeping of a life office with which your every-day occupation has not brought you into contact. A well known Chartered Accountant, who is a friend of my own and who has now a very extensive knowledge of the auditing of life office accounts, told me that when he passed his Final accountancy examination the only thing he knew about life office book-keeping was that he could repeat the docket which appears on the balance sheet of an insurance company.

The fact that this particular accountant had confined his knowledge to the docket on the balance sheet is significant as well as amusing, because there is no doubt that the docket does refer to one of the most important features of the book-keeping of an insurance office and one which places a large responsibility upon the auditor.

In the docket there is a special certificate by the auditor to the effect that no part of the funds has been applied either directly or indirectly to any purpose other than the class of business to which it is applicable. This, of course, means that moneys collected in respect of policies of life assurance are to be kept in a separate fund and applied solely in connection with the life assurance business. Similarly, moneys collected in respect of fire insurance policies must be kept in a fund and used only in connection with fire insurance business. You will at once observe that this makes it necessary for an insurance company to maintain, in its books at least, several different funds, and, consequently, several different series of accounts and books. I shall, however, refer to this point again later.

In what follows I shall confine myself generally to the case of a life assurance company unless I state otherwise, and this will, I think, have the advantage of focussing your attention on the case which is at once the most complicated and the most instructive.

In the first place, it may be desirable to give a very short description of the nature of the business of a life office, and to mention any respects in which it may be said to differ from that of an ordinary commercial house.

Generally speaking, life assurance offices can be divided into two classes—proprietary offices and mutual offices. The proprietary offices have a body of shareholders and a certain amount of share capital. The directors of such companies act on behalf of the shareholders and manage the company with a view to their profit. On the other hand, there is almost invariably a regulation or enactment in the constitution of such offices that a definite proportion of the declared profits of the life business must go to the life policyholders, and that a certain maximum percentage only can be applied to pay dividends to the shareholders. In the case of other classes of insurance business—fire, accident, marine, &c.—the whole of the profits generally

go to the shareholders since it is unusual for fire, &c., policy holders to have the right of participation in profits.

In the usual case no more than 10 per cent. of declared profits of the life business are paid to shareholders, while some offices have reduced this percentage to 5 per cent. The fashion of granting to the holders of life policies the right of participation in profits has been well established for many years now, and that proportion of the profits of the life business which goes to policyholders is usually added to their policies *pro rata* as a reversionary addition payable along with the sum assured. In the case of the mutual offices there are no shareholders, and these offices are controlled by a board of directors who are appointed by and act entirely for the policyholders. These offices are managed by the policyholders for the policyholders, and all the profits are applicable one way or another for their benefit. In most cases such offices confine their activities to life assurance and annuity business.

The function of a life office—whether proprietary or mutual—is, of course, more or less the same. Policies of various kinds are issued and for these the policyholders or members pay premiums which may be spread over a long term of years. A great variety of different kinds of policies are issued, but, generally speaking, the contract sets forth that the policyholder is to pay a certain sum yearly by way of premium and that the company will hand over, let us say at death, a fixed cash sum. It will be seen that the contracts into which life companies enter, whatever may be the details, are usually contracts which are spread over a long term of years, and here, I think, lies the essential difference between a life office and the average commercial house. In, let us say, a shop, stock is purchased from the wholesale trader and is resold at a profit or not, as the case may be. In any case, few of the transactions are spread over any length of time. The question of whether or not the transaction is going to be profitable is here determined in a relatively short period. This is not the case in a life office, for one contract may stretch over, as I have said, a long period, and in some cases a policy has been known to be in force as long as eighty or even one hundred years.

The business of a life office may, therefore, be said to consist in collecting premiums on the one hand, and paying out sums assured on the other, the premiums being sometimes single premiums, sometimes payable over a limited period of years (it may be for ten years, twenty years, or thirty years) and, sometimes, payable during the whole currency of the contract until the death of the life assured. So far as the accounts are concerned, there is, of course, nothing complicated about recording these transactions. Since, however, the dealings of the office with individuals are all more or less on the same lines, it is neither necessary nor desirable for an office to set up in its books individual accounts for each policyholder or member. The premiums, as they fall due, are credited to the life assurance premium account, or if they belong to another class of business, such as annuity business, the corresponding premium account, and debited to the agent or office responsible for collecting them; while the sums falling due by way of claims on the death of members, or when policies such as endowment assurances mature, are debited to the claims by death or endowments matured account and credited to the branch or agent responsible for payment. So far, there is nothing complicated, and in fact it is only in the details of these accounts and in keeping trace of the nature of the different payments that complications ever arise; for instance, a life office must guard against the very bad advertisement of asking a policyholder for a premium after the date when his liability to pay premiums has ceased.

A fairly elaborate machinery is necessary to make certain that the records of premiums receivable are correct, and of course it falls to the auditor of the company to make certain that the office has collected and credited in its books all the premiums which are due. Thus, the normal procedure through which an auditor has to go as regards the premiums due to the office is to verify that the first premium on each new policy issued is actually received, and this he does by comparing the payments received with the register of policies issued. At the same time, it is necessary that he should see that the new policies issued appear in the lists of renewal premiums. Thus, the auditor must also verify that the renewal premiums—that is, premiums after the first on all policies in force—are duly collected. He must see that in the list of these renewal premiums all new policies are entered, so that the second premium on these must be duly collected. He must compare the lists of renewal premiums of one year with those of the year before and make a reconciliation. Generally speaking, he must satisfy himself that premiums are collected in respect of all the liabilities which the insurance company has undertaken and which appear in its statistics of policies in force.

As regards payments out by way of claims these are debts due by the office, and of course it is perfectly obvious that in the ordinary course of his business the auditor will find it necessary to verify that these have all been debited to the proper accounts.

The point where life assurance accounts begin to be interesting is when it comes to making up their accounts at the end of the year, and here the offices are at present acting under the provisions of the Assurance Companies Act, 1909. A Bill has been drawn up and has received very full consideration which is to supersede that Act, but as the exigencies of Parliamentary business seem to have rendered its passage through the various stages extremely improbable for some time to come, it will not be desirable to confuse the issue by referring to its tentative provisions except in certain specific instances to which I shall refer later where the provisions are of especial interest.

Under the Act of 1909 it is necessary to prepare Schedule (1) a Revenue Account; Schedule (2) a Profit and Loss Account in some cases, and Schedule (3) a Balance Sheet. Various other returns are necessary under the Act, and I shall refer briefly to them later on.

The first thing which will strike an accountant when he looks at the form of profit and loss account as laid down by the Act is that the items appear on the opposite sides of the account to that upon which he would expect to find them. Although the matter is probably much too simple to dwell upon, perhaps I may begin by running shortly over the revenue account.

On the left hand side of the account you have the life assurance fund at the beginning of the year. This fund consists in the accumulation of the moneys of the policyholders contributed in respect of life assurance policies and is composed of the reserve values of the different contracts together with any profit which has been earned up to date, and such special reserves as have been set aside for the life policyholders. As regards reserve values I should perhaps explain. You will understand that if a person effects a life assurance policy and pays a level premium throughout his life in order that a definite sum may be paid at his death, his chance of death becomes much greater at the later years as he gets older. The premium he pays at the beginning is larger than is required to meet the risk, while the premium he pays in old age is correspondingly less than that required to meet the risk

then. The result is that a reserve value is built up for a policy out of the surplus premiums at the beginning and this is held against the date when a claim may arise. This life assurance fund, generally speaking, consists of the accumulations under the various policies, arising out of that part of the premiums which must be retained to meet increased risk in the later years of the policies and is built up from year to year as I shall show. If all life policies were like fire policies, merely yearly contracts, the premium charged each year being commensurate with each year's risk, there would in theory be a fund consisting only of the profits and of any special reserve at the end of the year.

The next item on the left hand side of the revenue account is the premiums. This includes annual premiums and single premiums, and the figure which is inserted here is the aggregate of the sums falling due in the year, and of course this need not be the sums actually received. In fact, owing to the custom that thirty days of grace are allowed by life assurance companies for the payment of nearly all annual premiums the premiums which are included in the revenue account for the year ended December 31st, 1931, say, will include premiums due on that date which may not actually be paid until towards the end of January.

The next item on the left hand side is interests, dividends and rents, and from these income tax is deducted, showing the net amount falling due in the year. The auditor must of course satisfy himself that the income from investments is all accounted for in the same manner as I mentioned in the case of premiums receivable.

In this item those companies which take credit for accrued interest would include a sum under this head.

Other small items appear on the left hand side, such as fines for revival of lapsed policies, &c., but these items are minor ones and require no explanation.

On the right hand side of the account the first item is the claims payable by death and survival during the year. Here again, the fact that the account is a revenue account must be borne in mind, and if the date of death or of maturity of a policy falls within the year, then the sum assured under that policy will appear in the claims for that year in the revenue account whether it has actually been paid over or not. Other charges, such as expenses, surrender values under contracts terminated before maturity, &c., complete the right hand side of the account, with the exception of the last item, which gives the life assurance fund at the end of the year, the premiums, interest, &c., coming in, and the claims, expenses, &c., going out.

You will bear in mind that I stated that the life assurance fund consisted of the reserve values of the various policies, of the profits and special reserves. You will see that it is built up, however, from year to year by an ordinary process of receipts and payments, and, as I shall explain later, it is necessary for the actuary of the company to determine periodically whether the fund as built up is greater than or less than the theoretical reserve values required by the various policies.

In the case of an office transacting only one class of business, and annuity business can be classed with life assurance business for this purpose, a profit and loss account is not required, the revenue account itself standing in this character. In the case, however, of a company transacting several different classes of insurance, and consequently having several revenue accounts for its different assurance funds, and where a share of the profits is to be allocated to shareholders, the profit and loss account is necessary. The items in the profit and loss account are as follows:—

**SECOND SCHEDULE.
PROFIT AND LOSS ACCOUNT.**

£ s. d.	£ s. d.
Balance of last year's account ..	Dividend for year 1929
Interest and Dividends not carried to other accounts £	Interest on De-benture Stock
<i>Less</i> In-come Tax	
Profit realised on :	Directors' Fees ..
Fire Account ..	Expenses not charged to other Accounts
Marine Account	Provision for In-come Tax ..
Personal Acci-dent Account	Loss realised on Sale of Invest-ments
Employers' Lia-bility Account (United King-dom) ..	Written off Free-hold House Pro-perty
Employers' Lia-bility Account (Irish Free State) ..	Other payments :
General Insur-ance Account	Transferred to :
Shareholders' Pro-portion of Life Profits	Fire Insurance Fund ..
Other Receipts ..	Marine Fund ..
	General Insur-ances Fund..
	Superannuation Fund ..
	Balance, as per Third Schedule
£	£

and may be taken to explain themselves. I may illustrate the point I mentioned earlier by calling your attention to the fact that for example directors' fees appear on the right hand side of this account, while in the case of an ordinary business concern (say the General Electric Company) the item appears on the left hand side in the customary way.

We now come to the balance sheet, and here in the liabilities the first item is, of course, the shareholders' capital. After that we have the life assurance fund, and of course the figure here is the same as that which appeared in the revenue account for the year. Any general investment reserve or other reserve will next appear, and beneath that we have claims outstanding. These are claims which have arisen during the year of account or prior to the year of account, but which have not yet been paid, delay having occurred for one reason or another, possibly owing to the difficulty of title or proof of death.

Annuities due and unpaid, and claims applicable to any other class of business which the company transacts which have not been settled, must also of course appear under the liabilities together with any other sums owing by the company.

The assets side of the balance sheet of a life assurance company is mainly a detailed list of the investments in which its funds have been placed. These investments are divided into certain categories with a view to giving

a person who scrutinises the balance sheet an idea of the distribution as regards different classes of security in which funds are invested. Mortgages on property appear first on the list, loans of various types are next, and after that investments, including the deposit with the High Court, British Government Securities, Municipal Securities, &c. It may be of interest to mention that some companies actually publish a detailed list of their various holdings, giving the full name of each security and the amount held. In fact, by law in some countries (Canada, for instance) life companies are compelled to do this.

The items at the foot of the list of assets are the usual subsidiary items such as agents' balances, outstanding premiums, &c. Where outstanding premiums, outstanding dividends and rents, interest accrued but not payable, are taken credit for as assets in the balance sheet, they must also, of course, have been included in the corresponding items on the left hand side of the revenue account. If accrued interest be taken credit for as a separate item in the revenue account and balance sheet, it must of course be deducted or taken account of in the method of valuing the securities concerned.

A balance sheet in the form mentioned must be submitted for each separate fund for which separate investments are made, but it is not an uncommon practice for a company transacting more than one class of business not to retain separate investments for each fund. For instance, a life assurance company usually transacts capital redemption business in addition to life assurance and annuity business. Capital redemption business merely consists in issuing policies which provide for the payment of a fixed sum at a fixed future date in consideration of premiums payable in one sum or over a period of years. There is no question of any life or other contingency, the dates when the premiums are due and when the capital sum is payable being fixed from the outset. These policies are not life assurance policies, and under the Act a separate leasehold or capital redemption fund must be kept for them, but it is not necessary to keep separate investments for this fund, so that while a separate leasehold revenue account would be required by such a company the leasehold fund could be included in the same balance sheet as the life assurance and annuity fund and no differentiation of investments made. If, as I have said before, however, separate investments are kept for a fund, then a separate balance sheet must be submitted. For instance, if investments are kept separately for the fire insurance business then a separate balance sheet for fire insurance will be necessary.

In notes to the third schedule (balance sheet) it is laid down that the balance sheet must state how the values of Stock Exchange securities are arrived at, and a certificate must be appended, signed by the same persons as sign the balance sheet, to the effect that in their belief the assets set forth in the balance sheet are in the aggregate fully of the value stated therein, less any investment reserve fund taken into account. In the case of a life company this certificate is only required on the occasion of a valuation, that is, when the actuary has made a valuation of the liabilities with a view to the distribution of the profits. The certificate that I have referred to applies to all assets, not merely to Stock Exchange securities, and although, as I have said, it is required only when a valuation is made, the statement as to the method of arriving at the values of Stock Exchange securities is required every year. It may be noted that the first part of the certificate would be sufficiently answered by merely saying "at cost" and if the second part did not happen to be required in any year (i.e., if an actuarial valuation were not being made) heavy depreciation might,

theoretically at least, escape attention. This point was dealt with when the new Bill was drafted and more stringent regulations were made; but since, as I have said, the Bill is still very far from becoming law, it would be a waste of time to consider its provisions in whole or in part.

In the case of a company required to keep separate funds—that is, a company transacting several different kinds of insurance business—a certificate must be appended, signed by the same persons as signed the balance sheet and by the auditor, to the effect that no part of any fund has been applied directly or indirectly for any purpose other than the class of business to which it is applicable. This certificate as to the separation of funds is a very important one. It is, of course, designed to protect the interests of the different classes of policyholders and to avoid any loss which may arise through fire insurance being sustained by the funds applicable to life policies. A difficulty in granting this certificate in connection with the separation of funds arises often in connection with expenses, and those offices (called composite offices) which transact all classes of insurance—fire, life, &c.—must often experience difficulty as to the apportionment of its expenses. While one would not wish to make any definite statement on the point, cases have sometimes been heard of in which an office has paid a high commission on life business with a view to pleasing an agent who is a big producer of fire business. While this is a small point, it undoubtedly seems, in theory at least, to affect this question of the separation of funds, since there is no doubt that part of the life commission in the case I have cited has been spent in order to obtain fire business. A Chartered Accountant once expressed to me the view that this was important from the point of view of the auditor, but, layman as I am, I am bound to say I think that the auditors may have some difficulty in dealing with the matter—in fact, they will have difficulty in hearing about such cases at all.

An interesting point is as to whether the creation of separate funds for different classes of business really does enforce the intended security to the policyholders. For instance, the life fund might be strong and the marine fund weak, or in the event of the insolvency of the company as a whole the life policyholders might suffer to some extent. Even the separation of assets would not seem to improve the position since the basis of actuarial valuation of the life fund laid down by the 1909 Act for the case of insolvency of the office is not a stringent one. This point may be rather theoretical than practical, but the separation of funds undoubtedly performs a useful function in obstructing the transfer of the profits from one class of policyholder to another. The new Bill dealt with this part by the creation of a separate statutory fund, but, as I have indicated, the provisions of this Bill cannot interest us meantime.

I have run very briefly and very lightly over the different forms of accounts, and now for a moment I might mention the method of assessment to income tax of a life office. This is a point of very great importance, and one in which I am sure that all accountants will be interested.

Prior to the passing of the Income Tax Act, 1918, a Royal Commission sat on the question of income tax, and among the steps which were considered were the methods of assessment to income tax of a life office.

In the ordinary way a trading concern is, as you are of course well aware, assessed for income tax purposes in respect of its profits, and in an ordinary insurance undertaking doing fire or other similar insurance business

the same rule more or less applies. In the case of a life assurance company, however, the method of assessment is entirely different. Before the Royal Commission on the subject there were considerable differences of opinion as to the proper method of assessment for a life office, some authorities contending that the tax should be upon profits in an endeavour to use the same basis as for other businesses. The difficulty with which those persons who wished a profits basis of assessment were faced was, however, a very real one. It is a matter of very great difficulty to determine what the profits of a life office are. On the occasion of an actuarial valuation of a life office the actuary makes calculations on a basis selected by himself of the reserve values of all the policies on the books of the office and thereby arrives at a total sum being the value of the contingent liabilities in respect of life assurance and annuity contracts of the office. Against this may be set the available assets, and superficially one might say that the difference between the total available assets and the total figure of liability brought out by the actuary would be the surplus or profit. When one inquires a little further into the matter, however, it is not quite so simple. For one purpose or another, different actuaries adopt different bases for valuation. The total liability brought out by the actuary is greater or less according to the stringency of the basis he adopts, with the result that the total shown as surplus will vary. Perhaps I should explain that in determining the liability of his office an actuary has to make an assumption as to the future rate of mortality which the lives on the books of his office will suffer and as to the rate of interest which will be earned on the funds in future. You will understand that the actuary has to find the present value of a large number of sums of money payable at uncertain future dates. For instance, there may be twenty persons on the books of the office at present aged 30, and on the death of each of these the office may have contracted to pay £1,000. If the actuary adopts a light rate of mortality in his valuation the dates when these policies fall to be made will be deferred, and by the operation of compound interest their value will be reduced accordingly. Further, the liability brought out by the actuary will be greater if he assumes only $2\frac{1}{2}$ per cent. as the rate of interest to be earned on the funds in future than if he adopts 3 per cent., since clearly it requires a larger sum of money to accumulate to a certain sum at $2\frac{1}{2}$ per cent. than it does at 3 per cent. As a further complication, the actuary has to deduct from the present value of the sums assured the present value of the future premiums which the office expects to receive after making suitable allowance for expenses. Again, this present value of the premiums will vary according to the assumptions as to mortality and interest, and it will be clearly seen that the actuary, under the control of the directors to some extent of course, will make such assumptions as are consistent generally with the policy of his office. A valuation may be a very stringent one with an assumption of a rapidly increasing rate of mortality and a low rate of interest, as in the office with which I am connected. The effect of this is to strengthen the reserve of the office with a view to making as certain as possible the maintenance of its present rate of bonus, but the immediate effect is to disclose a smaller surplus than would be disclosed if a less stringent valuation basis were adopted. It will be seen, therefore, that the profits basis of assessment to income tax is a very difficult one, and that nothing short of a statutory basis of valuation for the purpose of determining the profits upon which tax was to be charged would make it workable at all. There are many objections to a statutory basis of valuation into which I need not enter now.

The alternative to an assessment on profits which received the support of some authorities and of the Income Tax Authorities themselves was an assessment on the interest earned by the funds with an allowance for expenses. When one considers that in the end of the day the business of a life office really consists in receiving savings, accumulating them at interest, and handing back the capital sums at various times, one is led to appreciate the justice of the view which would suggest an assessment on interest as the proper one. In theory, the earning of interest is not necessary to the conduct of a life assurance business. If the premiums are made high enough sums of money can be collected, put in a stocking and paid out when the lives assured die, but what actually happens is that the sums collected are invested so that the benefit which the members of the various life assurance societies derive is really the interest which the life office earns upon its funds. This is, then, the basis of assessment of a mutual life office. The office is taxed on the interest which it earns upon its funds, less an allowance for expenses.

In the case of a proprietary office where profits are actually allotted to shareholders, the procedure is rather different, and is either on shareholders' profits or interest, whichever yields the greater return to the Inland Revenue. The result of this is that the life fund is normally taxed on interest, and the other funds (fire, marine, &c.) are taxed on profits.

It may be noted as a point of some interest that the annuity fund of an office is dealt with separately. Here the interest is untaxed unless it exceeds the aggregate annuity payments and the annuities are paid under deduction of tax of which an account is rendered to the Inland Revenue. So far as the company is concerned, tax is payable on any profit which it makes and takes credit for on its annuity business. The matter is carried through by making up a special annual account of annuity business for taxation purposes alone.

Before concluding, I should like to mention again the function of the actuary in a life office and the manner in which his responsibility interlocks with that of the auditor.

I am told that if an accountant is auditing a commercial house, while he will not usually check the stock of goods in the warehouse, he will yet take such measures as he considers necessary and desirable in order to determine that undue value is not placed upon the stocks, and to determine that the stocks for which credit is being taken are actually present. In the same way, when auditing a life office the auditor must verify the existence of all securities. He must have produced to him certificates in respect of shares, he must see mortgages, and so on. In certain cases, of course, bankers' certificates will be produced to him for the existence of documents instead of the actual documents themselves. When the auditor comes to the liabilities of an ordinary commercial house he will verify the various debts which are owed to the firm. When, however, the auditor is concerned with a life office he is able to verify only a portion of the liabilities. The liabilities of a life office are of two kinds—immediate and contingent. The verification of the immediate liabilities is the business of the auditor. With him lies the responsibility of seeing that the office has debited itself with all claims by death or maturity or other debts which have actually been intimated within the year of account. On the other hand, there is a large number of other liabilities which we may call contingent liabilities. The office is liable to pay over sums of money on the death of its policyholders or on the fixed dates

in the future. It falls to the actuary, then, to determine the value to be placed upon these liabilities and to complete the fourth and fifth schedules of the Act of 1900. I have indicated briefly when discussing the question of income tax the manner in which the actuary makes his calculations, and, of course, it will be obvious to you all that to add up merely the sums assured payable on death and enter them as the total liability of the office would be entirely wrong. Many of the sums which the office has agreed to pay on death will not be due for many years hence, and consequently it is only their present value, less the present value of the premiums which will be received in the future in respect of these sums assured that must be taken as the liability of the office. The actuary is, of course, an employee of the office in most cases, and does not spend his whole time in the process of valuing the liabilities. He is required to calculate the premiums and generally assist in the management of the office, but it is one of his most important functions to value the liabilities and to advise the directors in connection with the distribution of the surplus. The auditor and the actuary consequently must work together to a certain extent, and the former will accept from the latter the value of the contingent liabilities of the company.

Obituary.

FREDERICK CHARLES CROSLAND.

We regret to record the death of Mr. F. C. Crosland, A.S.A.A., who was knocked down and fatally injured by a motor car on December 24th, 1931. Mr. Crosland was 48 years of age, and had been a member of the Society since 1905. He served his articles with Mr. Frederick Holliday, of Leeds, and shortly after his admission to the Society commenced to practise on his own account. In 1923 he entered into partnership with Mr. W. H. McMin, A.S.A.A., under the style of Fredk. C. Crosland and Co. Mr. Crosland was President of the Incorporated Accountants' District Society of Yorkshire during the year 1928-1929. The District Society was represented at the funeral on December 29th by Mr. William Tate (President) and Mr. T. W. Dresser (Hon. Secretary).

FRANCIS CHARLES GARDINER.

We learn with regret that Mr. F. C. Gardiner, F.S.A.A., senior partner in the firm of F. C. Gardiner & Co., Scarborough, died on January 13th at the age of 57. Mr. Gardiner became an Associate of the Society in 1914 and a Fellow in 1917. He was a Councillor of the Borough of Scarborough, and had been Chairman of the Finance Committee since January, 1929. In this capacity he had recently reported on a detailed investigation into the financial position of the Borough and the possibility of effecting economies. As Chairman of the Libraries Sub-Committee, Mr. Gardiner took an active part in the establishment of the Scarborough Public Library, which was opened in 1930. He was also Chairman of the Borough Extensions Committee for the North Riding of Yorkshire. In recognition of his services as auditor to the local war hospitals the honorary membership of the Red Cross Society was conferred upon him. He was also a Fellow of the Royal Statistical Society. Two of his sons, Mr. G. F. H. Gardiner and Mr. Hugh Gardiner, are Incorporated Accountants and partners in his firm.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue :—

ASSOCIATES TO FELLOWS.

TAYLOR, RONALD BERTRAM (McKechnie & Taylor), 11-16, Reids Buildings, 92, Main Street, Johannesburg, South Africa, Practising Accountant.

TUCKER, FREDERICK GRENVILLE WALLACE, 30-33, Calcutta House, Loveday Street, Johannesburg, South Africa, Practising Accountant.

ASSOCIATES.

BEECH, ALBERT, Clerk to Saxton, Shaw & Co., Bank Chambers, Eldon Street, Barnsley.

BLACK, ARTHUR NOEL (V. L. Anderson & Co.), 28-30, North British Building, Commissioner Street, Johannesburg, South Africa, Practising Accountant.

BODEN, CHARLES ROBERT, Clerk to Whiteley Brothers, 76-84, Beresford House, Main Street, Johannesburg, South Africa.

BRIERLEY, FREDERICK WILLIAM, Clerk to T. Broadley, 30, Bridlesmith Gate, Nottingham.

BUCHANAN, EDWARD VICTOR (Roberts, Allsworth, Cooper Bros. & Co.), 89, Stanley House, Commissioner Street, Johannesburg, South Africa, Practising Accountant.

FORSTER, THOMAS CYRIL, Clerk to Forster & Craven, 42, Deansgate, Manchester.

GRIEVESON, RONALD EUSTACE, Clerk to Whiteley Brothers, 76-84, Beresford House, Main Street, Johannesburg, South Africa.

HALLAM, RICHARD HENRY, Clerk to William Clark & Stephens, 20, Westgate Chambers, Newport, Mon.

HART, REGINALD FRANK LUCAS, Clerk to Martin, Farlow & Co., 34 and 36, Gresham Street, London, E.C.2.

HOCKEY, ERIC KENNETH, Clerk to Collins & Croxford, P.O. Box 403, Salisbury, South Africa.

KEY, BRANSBY ASTON, Clerk to Goldby, Panchaud & Webber, Beresford House, Main Street, Johannesburg, South Africa.

LIVESEY, ROBERT CLIFFORD, Clerk to Edmund D. White & Sons, London and Lancashire Chambers, 45A, Dale Street, Liverpool.

LONG-INNES, EDWARD GEORGE, Clerk to Alex. Aiken & Carter, National Bank Buildings, Simmonds Street, Johannesburg, South Africa.

MOREWOOD, JOHN BANKS, Clerk to Paul, Dowd & Co., 43, Castle Street, Liverpool.

OLSEN, HELMER ARNOLD, 7-8, Calcutta House, Johannesburg, South Africa, Practising Accountant.

PEACOCK, GEORGE ALAN, Clerk to Geo. A. Marriott, Rogerson & Co., York House, 12, York Street, Manchester.

PEARSE, WALTER ERIC, Clerk to Dougall, Lance & Hewitt, 257, Pretorius Street, Pretoria, South Africa.

PINHORN, STANLEY CLEMENCE FLETCHER, Clerk to Stanley F. Stephens & Co., 16-17, New Hibernia Chambers, London Bridge, London, S.E.1.

ROCK, JOHN HOWARD, Clerk to Martin & Buckler, 186, Wolverhampton Street, Dudley.

SHAW, OLIVER JOHN, Clerk to O. G. Taylor & Garbutt, Judges' Court, Coney Street, York.

SMITH, LIONEL GORDON, Clerk to Whiteley Brothers, Beresford House, Main Street, Johannesburg, South Africa.

THOMSON, SAMUEL (Samuel Thomson & Young), Trust Buildings, Fox Street, Johannesburg, South Africa, Practising Accountant.

TYERS, GEORGE ARTHUR, Clerk to Johnstone, Davies & Moulder, 13, Church Street, Kidderminster.

WISELEY, JOHN, Assistant Secretary, F. & A. Parkinson, Limited (formerly Clerk to Hooper Bros. & Watson, Bradford).

District Society of Incorporated Accountants.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

A debate between the Cardiff and Newport Students' Sections was held at Cardiff on January 7th. The subject was "That the present policy of abandoning free trade is detrimental and unnecessary." The affirmative was taken by Mr. H. F. Hughes on behalf of the Newport section, and the negative by the Cardiff section, whose leader was Mr. R. R. Davies.

At the outset the Chairman, Mr. K. V. Stephens, A.S.A.A., referred to the inclusion in the recent honours list of the names of two members of the Society, Mr. F. J. Alban, F.S.A.A., and Mr. John Allcock, F.S.A.A. (City Treasurer and Controller, Cardiff). The Chairman said that the honours of C.B.E. and O.B.E. respectively were honours to the Society as well as to the individuals concerned, and the Hon. Secretary was instructed to convey the hearty congratulations of the members to these gentlemen.

The Newport leader (Mr. Hughes) pointed out that probably the most important question to-day was our "balance of trade." Statistics of our import trade from the year 1870 were quoted, and reference made to the effects of leaving the gold standard. Mr. Hughes concluded by stating that the chief disadvantage of tariffs was that they would reduce the premium which our exports now enjoyed.

Mr. Davies, the Cardiff leader, said that by protection in the form of tariffs he meant tariffs that are scientific and selective in application, not general and indiscriminate; the protection of those industries which must otherwise cease to continue. The year 1931 was the worst in the history of shipbuilding on the Clyde, while, as the result of the McKenna duties, the motor industry had experienced great prosperity, as was proved by the 100 per cent. dividend on the ordinary shares of the Austin and Morris Motors, Limited. South Wales was particularly affected with its coal, shipping, iron and steel.

After discussion the motion was put to the meeting and lost.

Mr. C. O. Bartley, A.S.A.A., has been elected a member of the Hammersmith Borough Council.

The Principles of Commerce.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

Sir FRANCIS GOODENOUGH, C.B.E.

The chair was occupied by Sir JAMES MARTIN, Incorporated Accountant.

The CHAIRMAN said: It gives me great pleasure, after a somewhat longer interval than usual, to preside over one of your meetings. A whisper has reached me that the syllabus of the current session of the Incorporated Accountants' Students' Society is considered somewhat wide in its scope, but there can be no question regarding the address with which Sir Francis Goodenough is going to honour us. Upon turning to the Incorporated Accountants' syllabus I find that "General Knowledge in regard to Commerce and Finance" is among the subjects of the Final examination, and I rejoice that that is so. In my opinion, no Incorporated Accountant can successfully practise his profession unless he has a sound knowledge both of the organisation and finance of commerce. Sir Francis Goodenough has had a distinguished career, especially in regard to the gas industry, where his name is a household word. He is the President of the Incorporated Sales Managers' Association and was the Chairman of what is commonly known as the "Goodenough Committee on Education for Salesmanship," which issued its final report last August. He now gives much attention to the subject of Education and Commerce, and although I believe that he only landed in England from a visit to the United States about the middle of last week, he is kind enough to keep his engagement with us to-night. I have much pleasure, on your behalf, in offering him a cordial welcome.

Sir FRANCIS GOODENOUGH said: I am glad that Sir James expressed the opinion that the subject I was taking for my talk to-night comes within the range of your syllabus, because I want to be of service to the accountant student, and if I had been talking far beyond the radius of your syllabus I am afraid you would have found fault with me for not having been as helpful to you as I might be.

I should like to say, to start with, that I spent twelve years in the accountant's department of the Gas Light and Coke Company, at the beginning of my business career, so I know something of accountants' problems; and I would say that there is no better preparation for commercial life than the time spent in the accountant's department of an undertaking, as that gives you a very wide and at the same time detailed insight into all the operations of business, because in the accountant's department you see brought together all the threads, from all sides of the business, that go to make up ultimately the balance sheet and profit and loss account that tell the story of the success or failure, the progress or decline, of the business. I certainly found the knowledge that I acquired on the accountant's side of business a great help to me afterwards in understanding how one department fits in with another, how one aspect of a business is related to another, and by that means was able, I think, to help in maintaining harmony between the various departments with which I was dealing better certainly than I could have done if I had not had that knowledge and understanding of their various functions.

The point I want to make to you particularly to-night is that the success of every business depends on the profitable sale of the goods or services it has to offer.

That sounds like a mere platitude, a mere commonplace, but commonplaces have a way of being overlooked, and the understanding and realisation of them is sometimes as rare as commonsense. Everyone in every department must have that fact—that the success of a business depends on sales—clearly in the forefront of his mind at all times if the firm is to secure a maximum of progress and stability.

Salesmanship—the very core of commerce—if it is to eventuate in permanent profitable trade, must begin in the board room; must be a fundamental matter of policy; must continue in the office; must control the factory and transport organisation; and must persist in service after sale. The selling policy and practice of a firm determine its success or its failure.

Whether the selling policy of a firm makes for success or failure depends first and foremost upon its being clearly based upon right principles, and then upon the consistent and persistent and thorough application of those principles to every detail of its relations with its customers.

One of the greatest difficulties of management is that of securing that right principles, as laid down by the management, are always applied in the right spirit by every individual employee of a firm.

Employees are much too prone, in my experience, to take a narrow view of what are really the true interests of the firm. They are too keen to "make a bit extra" for the firm when the chance arises; too ready to see and to seize an immediate advantage which may well result ultimately in a far greater loss, namely, the loss of the confidence of the customer who finds he has not had a square deal; and this tendency on the part of employees needs very careful watching and correction by the management.

I have found it very useful to impress upon all employees the fact that, in the final analysis, the employer is the customer. The directors of the firm have no money with which to pay wages and salaries, to purchase materials, to pay overhead charges and to pay dividends or bonuses, except the money which the customer pays to the cashier; and if every employee gets that fact clearly in his mind—that the ultimate employer is the customer, and that if the individual customers leave the firm and are not replaced, ultimately the firm will have to discharge some and perhaps all of the employees—then you get the right mentality on the part of the employees towards the customers; not that attitude of rather supercilious condescension that you sometimes come across on the part of employees, but the really helpful spirit of service which is so essential.

In fact, the essential principle of commerce, the one I want first of all to stress, is that it shall be conducted, not as a contest between men out to best each other, but as a form of mutual service conducted for the reasonable profit of both parties; and that the seller shall direct all his energies to winning the enduring satisfaction and confidence of the customer by always carefully studying his point of view and his circumstances, so as to serve his best interests skilfully and well; seeing things from his side of the bargain and meeting his needs and wishes in every reasonable way. That is, I am sure, the way in which you like to be treated by every business with which you have dealings. When you go into a shop you like to be treated with promptness, courtesy and a sympathetic insight into your needs, and you like to feel that, for the moment at any rate, you are the most important customer in the shop.

The root principle of the statement I have just made is

that the success of all business depends ultimately upon the friendship and confidence of the customer. Accepting the truth—and I am sure you will agree that it is the truth—that people deal most willingly with those they feel most friendly towards and put most confidence in, we get to vital considerations. You know how you say: "I like going to that shop and dealing with those people; they are friendly and courteous and considerate, and I know I shall be well treated and I shall get value for my money." Well, you and other people feel most friendly towards and put most confidence in those who take trouble to get thoroughly to know them and their needs and wishes, their customs and habits, and then proceed to supply their needs and gratify their wishes most completely, satisfactorily and punctually, at a reasonable cost; and who, further, are ready at all times promptly to remedy faults of service, or to modify designs of goods, or methods of service, to meet the customers' changing needs or tastes.

That is no light specification of basic principle. It needs determination; it often needs courage; it needs vigilance on the part of the management to see that it constantly animates policy, procedure and detailed behaviour.

Consider what it means, from the point of view of management, so far as that is concerned with the office, and especially the secretary, the accountant and their staffs. I want you to realise and remember particularly as you go through your business life that the indoor staff of a firm can do much to help the salesman on the road or in the show room to increase turnover. They can also—alas, they often do—discount the best efforts of the best salesman by mishandling his customers, just as the factory can by carelessness, negligence and delay. The whole organisation of a business has got to work together as a harmonious team for the purpose of satisfying the customer.

Now, there are several ways in which the office can display good, bad or indifferent salesmanship, and so increase the success or hasten the failure of the business.

The principal ways in which the office comes in contact with the customer are by correspondence, by telephone, by interview, especially when these relate to the rendering and collection of accounts or to the handling of claims or complaints.

An ill-mannered, impatient, hard-voiced telephone operator is an abomination that should not be tolerated in any office. But it is not enough that whoever answers a customer on the telephone, either first or last—and much too often there are many stages to be gone through before the customer gets attention from a person competent to deal with the business!—it is not enough that the "respondent" should have ordinarily good manners. The "voice" that, to the customer, represents the whole firm and reflects its whole policy, ought to be agreeable to the ear, to convey immediately a desire and anxiety to serve and sympathy with the customer's troubles, and should make the customer realise that he or she is regarded as one of first importance whose good opinion and custom the firm values highly. It would be a good thing if every telephone operator—and not only the telephone operators but every employee who answers the telephone—were taught by the B.B.C. to be an announcer—to have an "Aunt Sophie" or an "Uncle Rex" voice that wins your heart straight away. That casual sort of voice you often get on the telephone sets your teeth on edge to start with, and if you have already got into a bad temper through bad services on the part of a firm, the indifferent telephone voice just

puts the final flare to it and up goes your temper in a column of fire.

And so with correspondence. The impression which every letter should convey, though not in any stereotyped language or commercial jargon, is that of desire to serve and to satisfy. It is always of great importance to remember that the reader of a letter cannot divine motives or intentions unless they are fully and unambiguously conveyed by the written word, and it takes a super-genius to convey in a letter, on perhaps a controversial subject, exactly what it is desired that the other person should think when he reads the letter.

I have had a lot of experience in issuing instructions to staffs, and I know that, after you have drafted your instructions in a way that you think it is impossible to misunderstand, you can bet long odds that they will be misunderstood by somebody or other. You sometimes think out an instruction and go over it two or three times, and you say to yourself, "Nobody can misunderstand that," and yet when you send it out you find that there are other unthought of ways of interpreting the written word. Remember that the person who receives a letter probably knows no more of his correspondent's mind, or of the facts of the case, than is expressed in the letter, which must therefore always be written so as to be read through the reader's spectacles, and "the other man's point of view" must always be seen by imagination and taken fully into account.

The difficulty of getting letters written always in this spirit and with regard to the effect they will produce on the mind of the reader, makes it especially important to avoid correspondence over matters in dispute, and especially over complaints and claims, whenever it is possible to substitute personal interview for correspondence. When you say something to a man looking him in the face, you can see at once whether it produces in his mind the effect you intend it to produce, or whether the argument you use appeals to him, or the explanation you give satisfies him; but until television is raised to a much higher point than that to which it has yet been raised you will not see the face of the man who receives your letter and reads it, and you cannot therefore immediately rectify any misapprehension that has arisen. You have to wait until he writes back a letter, and perhaps in doing so writes himself into a stubborn attitude of mind from which it means a blow to his pride to retreat. People can write themselves into a state of obstinacy that they will never talk themselves into if you know how to handle an interview.

I have often said that I regard the treatment of complaints as the "acid test" of salesmanship, or of service, whichever word you choose to use—and those two words ought to be interchangeable. If the complaining customer is regarded at best as a nuisance, at worst as an enemy, and certainly as a vexation, there is something radically wrong with the policy of the firm. It is clearly not based on sound principles—the sound principles which can really be summed up in the old golden rule, "Do unto others as you would that they should do unto you." Every complaint, if it is to result in the ultimate satisfaction of the customer, must be regarded, at any rate in the first instance, as being probably well founded. We used to have a principle in the company with which I was connected that every complaint was an opportunity—an opportunity, first of all, to prevent an enemy being formed, secondly, to ensure a friend being secured, and thirdly, to get more business. I do not know any better opportunity as a rule for getting more business than a proper, judicious, sympathetic handling of a complaint; it is an opportunity to get into personal touch with a

customer which you would probably never otherwise get. Then, if you really do understand salesmanship, you get an opportunity of turning the threatened enemy into a friend and getting business from him.

In my experience, in dealing with a large number of customers of all ranks for nearly thirty years (and when I gave up the reins the customers numbered about 1,200,000) complaints are very rarely entirely unfounded. They may be, they often are, due to misunderstanding, just as, if you will think of it, are nine quarrels out of ten. If, before taking action, you always stopped to think or find out what the other man really meant by what he did, or by what he said, the number of quarrels would be reduced to a very small percentage of what they are when you act in haste. Moreover, the misunderstanding of a customer is, as often as not, caused by our failure to convey our meaning or intentions lucidly, completely and without ambiguity to someone who cannot be expected to know the technicalities of our business, or to realise our intentions by intuition, or to appreciate our policy unless it is made perfectly clear to the uninitiated. It is so easy for us to think that the other man knows all about our business and to talk in technicalities of the meaning of which he has not the faintest idea—to talk, for example, about therms when he does not know what a therm is. It is so easy to get into the habit of using technicalities and expecting them to be sympathetically understood and appreciated by the customer, who is wholly ignorant of them. It is, therefore, merely stupid of us, and very unhelpful, to get annoyed with a customer for what is really more than half our own fault.

The fact is, not that the British customer complains too often and without cause, but that he does not complain as often as those whose guiding principle is service would wish him to do. Customers' complaints are rather too rare than too frequent; some people will nurse a grievance for months, or even years, rather than take the trouble to grumble and have it out with you.

There is one way of avoiding complaints that is of considerable importance. One of the great principles of commerce is that the word of the contractor should be as good as his bond, and his performance as good as or, if possible, better than either. The complete performance of contract, alike as to quantity, quality and time, in the spirit and not merely in the word of the contract, is vital to success in business; and I would just like to stress, as having a considerable bearing upon the subject of complaints, the question of punctuality in performance of contract or promise.

Nothing annoys a customer more than to have a promise made that something shall be done, or some goods shall be delivered on a certain day and at a particular time of the day, and then for that promise to be broken. It is very easy to get rid of a rather exigent customer out of a shop, or to close a conversation over the telephone, by glibly promising something on a certain day at a certain time without making sure that it is possible to fulfil that promise and to carry out the contract. It is far better to try the patience of the customer a little longer by taking time to make sure beforehand that you can make good, or to try the patience of the customer by explaining to him that you cannot do what he wants at a particular time or date, and then proceed to arrange for a time that can be worked to, than to make a promise without due regard to possibilities, and then break it.

Take the business I know most about. Nothing annoys a housewife more than to be promised that a gas cooker shall be exchanged at 10 o'clock on Wednesday morning,

and she makes all her arrangements so that the kitchen will be available for the men at that time on that day, and no cooking will be wanted that morning, and 10 o'clock on Wednesday comes, and 11 o'clock comes, and noon comes—everything comes, except the cooker and the fitter to fit it. That is when the telephone gets very hot.

Now, what does this imply? First of all, that you should be very careful in making promises, and then if by any chance, through circumstances quite unforeseen, it becomes impossible to carry out your promise, you should take the greatest care to see that the customer is advised *beforehand* that the work cannot be done on the day or at the time promised. A word on the 'phone, or a telegram, or a letter if it is in time, will save all that vexation that is caused by failure to keep a promise. You will make the customer realise that you are thinking about his or her requirements, and that you are anxious to give good service and are sorry that you have had to fail on your promise. Complaint forestalled means fault forgiven, because the British public are very considerate and kind in all these matters, provided you take care to show that you are considerate on your side. I think that question of punctuality in service is one of the greatest importance.

But when complaint does arise, the only way in which to demonstrate the sincerity of your desire to give true service is to start with the idea that "The customer is right"—at any rate, that he genuinely believes himself to have a grievance—to probe fearlessly and honestly into the cause of his dissatisfaction; to be absolutely honest in owning up to your fault, if fault there be, and to be generous beyond justice in making good any loss and inconvenience and annoyance the customer may have sustained. Do not make silly excuses, trying to cover up your faults. Own up and make adequate apology and amends. The customer will think more of you, you will be rewarded by earning his gratitude and regaining the confidence you have temporarily forfeited—and there is no greater asset in business than the goodwill of the customer. I do not mean the goodwill that appears very often as an asset in a balance sheet—in that very often there is not much value—but the goodwill that does not appear in the balance sheet, but which is the rock foundation of the business and is an asset which it is up to everyone in the firm, from the office boy to the chairman, to do his utmost to cultivate and to maintain.

Now I have said enough, although I could say a great deal more on this subject—for instance, on the collection of accounts and the way in which that is done, and the great importance in that connection of very close liaison between the salesman and the counting house—but I have said enough to make good my point that salesmanship in the widest and truest sense of the word is a direct and vital concern of all departments in a business house, and that unless the selling policy of a firm is built on the rock of service to the customer, which is really only putting into practice the golden rule of doing unto others what you would that they should do to you—unless every act and thought of everyone employed in it is animated and governed by that principle, the firm cannot prosper and progress as it might and should do.

So, also, only if we as a nation base our whole organisation of commerce on that principle, and train and educate an adequate personnel to put it efficiently into practice the world over—only so will our Empire prosper and progress as it might, and as I hope it will do. I trust I have not strayed too far in what I have said from the scope of your syllabus.

Discussion.

The CHAIRMAN : We have listened to a very interesting address from Sir Francis Goodenough and, in accordance with the usual custom, you will be given an opportunity of asking questions or making any comments. Before you do so, however, I would like you to hear one or two speakers, the first of whom is my friend Mr. A. de V. Leigh, whose work in the London Chamber of Commerce is well known.

Mr. A. DE V. LEIGH (Secretary, London Chamber of Commerce) : I propose to talk to-night about the principles of International Commerce. Amongst the many excellent things which Sir Francis Goodenough has just said, I am going to take as my text the following : "The essential principle of commerce is that it shall be conducted, not as a contest between men out to best each other, but as a form of mutual service conducted for the reasonable profit of both parties." That is as true of trade between nations as between individual citizens within a nation. The history of international trade, for the last quarter of a century or more, is like the story of "Eric, or Little by Little," a progressive falling away from this excellent precept till now the path back must be a very long and painful one. It cannot be too frequently emphasised that one nation can only pay another by goods, services, or gold ; and that for this purpose gold has very definite limitations, which I will deal with presently. International trade is, however, in essence, a matter of barter : it implies purchases in settlement for sales. This simple fact has been lost sight of because the world has become bemused and has allowed its attention to be concentrated on various contrivances, such as the gold standard, bills of exchange, bank drafts, which have been devised to facilitate that exchange of goods, or barter. Gold is, in international trade, merely a token to enable a seller to have a wider range of choice, to make three-cornered bargains, and, within reason, to defer his purchase, but if a nation, instead of exercising that claim to goods or services, merely collects all the tokens there are in the world, it is obvious that the machinery must break down. Now this, in fact, is what has been happening. The U.S.A. and France have collected three-quarters of the world's entire stock of monetary gold, and instead of using this immense claim to goods are simply hoarding it. Until this year Great Britain has had, for the best part of a century, annual favourable trade balances, when her invisible exports—that is to say the interest on her foreign loans and the earnings of her shipping, banking, and insurance services—were taken into account. A large part of it she took in a big surplus of visible imports over visible exports, but even then she had large balances, each year, on the right side. These she reinvested abroad in plantations, railways, electrical works, and other development schemes, and so watered with her capital the waste spaces of the earth, to her own advantage and theirs. Had she, instead, brought her balances home each year in the form of gold, as France and the U.S.A. are now doing, she could, in a very short time, have accumulated all the world's gold, driven every other nation off the gold standard, and so broken down the machinery of international trade. So far as the United States is concerned, its position was a very difficult one. It had, in less than a decade, so increased productivity per worker, through mass production methods, that even artificially stimulated home consumption was quite insufficient to absorb the production of factories working to that minimum percentage of capacity, below which costs must rise sharply. The United States required an export of some one thousand million pounds per annum, in addition to its home markets, in order to absorb that surplus production. Unfortunately, the fact was overlooked that exports can only be paid for by goods, services, or gold. The United States was on the horns of a dilemma : it had either to sacrifice some portion of its home market by lowering tariffs to enable payment to be made in goods, or it had to accept payment for its surplus exports (visible and invisible) in gold. The first course would not have helped it to get rid of its own production, and by tending to

lower wages internally would have reduced its domestic purchasing power. It should have been obvious that the second course must inevitably in time bring about a complete breakdown of the machinery of international trade, and with it the disappearance of the export trade of the U.S.A. If the United States had pursued a policy of extensive foreign long-term lending, coupled with the cancellation of unproductive war loans, it might, with skilful management, have brought about a gradual readjustment of the situation, without precipitating the present catastrophe. The situation would also have been eased if it had welcomed payment in services, but being unwilling to accept goods in payment for goods, for the compelling reasons I have given, it was equally unwilling to accept services in payment, for no ascertainable reason at all : instead, it has lost some hundreds of millions of dollars since the war, in owning and subsidising shipping, in order to prevent payment of moneys due to it being made in this way. Gold, therefore, alone remained as a means of payment, and in order to acquire it the debtor countries have entered into cut-throat competition in those markets from which they were not barred by prohibitive tariff walls. They have only been able to pay their way by securing favourable trade balances through the selling of excess exports to England. The credits thus created have been transferred from London to New York and Paris in settlement of their obligations. Hence the flow of gold, through London, to those capitals. As it has now become necessary for us to restrict imports, those favourable balances will disappear, and the debtor countries will be obliged to default, either before or after their remaining gold has been drained away. The world will now have to learn, by bitter experience, that no nation can, in the long run, prosper at the expense of another, but that the prosperity of all is the concern of each. They will have to learn that trade between nations, as between individuals, must be, using Sir Francis Goodenough's words again, "a form of mutual service, conducted for the reasonable profit of both parties." Human beings, especially in the mass, find it very difficult to change beliefs which run back and have their origin in primitive instincts and the experience of primeval man. The tribal instinct is to rejoice when disaster overtakes a rival tribe. At the root of this mentality is fear. The world has got this far—that within each nation the citizen has reasonable security for his life and property, and the degree to which this is true can be gauged by the extent to which it is customary for private citizens to carry arms. The extent to which there is confidence, as between one citizen and another is the measure of civilisation. Internationally there is no such confidence. Whilst the welfare of the nations is dependent upon the prosperity of their neighbours and customers, fear of attack dictates a policy designed to weaken them as being potential enemies. Internationally the world is still in a state of barbarism, and sane co-operation amongst all the nations of the world is a very distant dream.

The CHAIRMAN : I am very glad that Mr. Leigh has given us something to think about in connection with a subject which many of us find difficult. We shall have an opportunity when these addresses appear in print to consider further what he has put before us. Now, Sir Francis Goodenough told us in all our business dealings to cultivate a pleasant manner, so I am going to express my thanks to the miners of Pontypool for the presence amongst us this evening of my old friend, Mr. Thomas Keens. You have known him as a member of the Council of the Society of Incorporated Accountants and as President of the Society, in which capacities he has given us magnificent service ; but I think probably I have known him longer than any man in this room, and I can tell you that he has rendered very great services to the commerce of our country. Under these circumstances I am quite sure you would like to hear a few observations from him.

Mr. THOMAS KEENS : I could not help thinking, when we were hearing Sir Francis speaking on salesmanship, how different life appears on the principles he has laid down from what I have been hearing during the last few weeks, every day and sometimes three and four times a

day—that life is a “bitter struggle.” “We are obliged to fight the capitalists for our very existence every hour of the day. You, sir, represent the industrialists, the men who grind the faces of the poor. You are the men who are taking bread from the children and milk from the mouths of the infants by a cut in the dole.” That is the sort of thing I have been used to for some time past, and I am glad now to think it is possible that people may be employed for wages, and that they may render service which, in the end, is mutually satisfactory to everybody concerned. I should like for a moment, if I may, to deal with a few points which Mr. Leigh has raised, because it is really a most enthralling subject. I do not propose to devote much time and attention to it, because I sincerely hope we shall encourage Mr. Leigh to come here again and let us have an evening of it. It will well repay any amount of consideration, because if there is a subject that is still grossly misunderstood it is the subject with which he has been dealing this evening. I had very great pleasure, in the month of May, in addressing a luncheon party at Cleveland, U.S.A. When I arrived there I intended to give them quite a non-party address; I was going to say some nice smooth things. However, when I told them what I was going to say, they said, “Cannot you give us something that has got more substance in it than that?” I said, “What do you want?” and they replied, “We want the truth.” I said, “Well, if I tell you the truth it will be brutal. Will you have it now?” They said, “You cannot be too brutal; there is a conspiracy of silence on the part of the politicians and the Press in the Middle West to keep us from knowing the facts.” Well, I started off with this proposition: that you cannot conduct commerce on the principles of one-way traffic. I also told them that the gold in the vaults at Washington, for all the use they were making of it, was of no more use than if it had never been mined; that they would find it out sooner or later, and that they would have to take their part in bringing about better world conditions. Generally speaking, I went along the same lines, though not nearly in so finished a style, as Mr. Leigh did this evening. I would ask you to bear in mind that phrase of his—that the prosperity of all is the concern of each. You cannot expect a family to be healthy if their home is surrounded by insanitary dwellings, and you cannot expect any community to be well off if its neighbours are suffering dire poverty. That is a lesson we have to remember from an international point of view. Now, as regards the remarks of Sir Francis Goodenough. This is a meeting of those who are, or who are intending to be, practising accountants, and perhaps the question may come up—How does this instruction in the art of salesmanship affect us, as we are not allowed to advertise, “Try our two guinea audits! Absolutely untouched!” (Laughter.) We cannot canvass, so how is it going to affect us? Well, I am going to submit to you this: After all, the bulk of the businesses in this country are small businesses. The Vice-President of the Society (Mr. Cassleton Elliott) at the Congress of Accountants, two years ago, expressed surprise when one speaker referred to “small businesses.” He said, “Since I arrived in America I have never heard that there was anything small here.” (Laughter.) But in the provinces, I believe, people will tell you that the backbone of their business, both wholesale and retail, is composed of comparatively small businesses. It comes back to this, that the accountant is becoming more and more the business adviser, and therefore he cannot know too much. It struck me as being rather amusing, when we started, that the last lecture I came to hear in this hall was one in respect of Russia, and I wondered how the lecture given by Sir Francis would fit in under the present conditions. Salesmanship, I understand, does not matter very much in Russia, because it is the buyers who are clamorous, and the Central Authority acts on the principle of “Take it or leave it.” That must be very comfortable for those who have anything to sell. One of the greatest difficulties of management is that of securing that right principles are always applied in the right spirit by every individual employee of a firm. I do not know whether

you noticed, some few days ago, immediately after the cut had been made in Civil Service pay, that Mr. W. J. Brown, at a demonstration in the Albert Hall, gave certain advice to Civil Servants as to how they were in future to carry out their duties. I remember thinking it was about the most shameless thing that had ever been stated from a public platform. What he said was this: “At present the sorting of letters is carried out much too rapidly; there seems to be no particular reason why a letter should not be examined once, twice, or even three times before it is released to the postman.” Then he said, “It is surely obvious that the postman walks much too fast; he covers far too much ground in the course of the day, and my advice to him is to slacken his pace. Besides, he surely ought to examine every letter most carefully before he puts it through the letter box, and if he is in the slightest doubt he ought to take the letter back in order to be perfectly assured that it is for the person to whom it is addressed.” Then he went on to say—and this is the most shameful advice of the lot—that the officials of unemployment exchanges are much too careful in making enquiries about the recipients of unemployment pay, and in the future he would suggest that they should pay out without making any enquiries whatever, and therefore they would be getting level with the people who had cut their salaries down. Luckily, that gentleman was rejected by the constituency for which he was standing for Parliament, and I am perfectly certain that the Civil Servants of this country would reject with contumely the advice which he gave them. Now, I do not think I have much more to say, but there was one type of young man who was not mentioned by Sir Francis—I mean the too-clever-by-half man. If you go into a shop for a pair of gloves and you say “Do you keep gloves?” he will reply: “No, we sell them.” The customer turns round and says: “You will pardon me, but you will certainly keep one pair of gloves that you might have sold to me.” (Laughter.) I think we are indebted to Sir Francis for turning us into a new line of thought, and for widening our horizons and enabling us to be of service to our clients in a way that we should not otherwise have been but for his lecture. There is only one other thing. I notice that Sir Francis is very sceptical about the item of goodwill in a balance sheet. Personally, as regards some balance sheets, I share his views, but as goodwill in any business has been defined by His Majesty’s Judges as the probability that the customers of the old firm will continue to deal with the new, there have been certain businesses in this country whose goodwill stood at quite a substantial figure in the balance sheet, but nevertheless proved to be of much less value when the business came to be realised.

VOTE OF THANKS.

Sir STEPHEN KILLIK (President of the Students’ Society), in proposing a vote of thanks to Sir Francis Goodenough, said: It is a real pleasure to me to propose this vote of thanks, and I think I may say with truth that it is a great compliment to the Lecturer that there is no one here who is desirous of criticising what he has said, or of asking any questions, because it shows that they are perfectly satisfied with all he has told them. An old friend of mine, who was a manufacturer, used to say that any fool can sell goods, but it takes a wise man to sell them at the right price. That is, I suppose, one of the tests of a successful salesman. Now every salesman should know his business. It is most exasperating to come across a salesman who tells you that the thing you require is not being worn now, or not being used, or some other equally stupid words. On the other hand, it is a great pleasure to talk to a man who knows his job, whatever that job may be. I agree entirely with the criticism of Sir Francis in regard to the slipshod manner in which some of our business correspondence is conducted. Some people seem to think that anything is good enough for a business letter, and it is most distressing to read some of the nonsense that business people write. It is sometimes said that the goods are so satisfactory that they will sell themselves. Don’t you believe it. To be a successful salesman—indeed, to succeed in any department of life—

means hard work. Without hard work you can do nothing.

"So many ways of doing things
A casual glance discloses;
Some folk turn up their sleeves at work,
Whilst some turn up their noses."

(Laughter.) There is too much slackness in these days, and Sir Francis is doing a very fine work in bringing this home to our business friends. I ask you to give him what, in my opinion, he thoroughly deserves—a hearty vote of thanks for his lecture this evening. (Applause.)

Mr. G. ROBY PRIDIE, F.S.A.A.: I have much pleasure in seconding the vote of thanks to Sir Francis Goodenough. Shortly before I came away from the office I thought I would look up some records of a certain journal, which is a trade journal, published monthly. In that trade journal is a special supplement dealing with a large business concern having many multiple shops in the British Isles. The front page of that supplement is invariably given entirely to an editorial note, and in May last the heading of that editorial note was "The Principles of Business." The editorial started with these words: "Sir Francis Goodenough is probably one of the greatest experts in modern salesmanship in this country; in fact he received his knighthood for the splendid work which he has done in striving to improve our national salesmanship." I do not think I can add anything to that, and I have much pleasure in seconding the resolution.

The vote of thanks was carried with acclamation.

Sir FRANCIS GOODENOUGH: Let me thank Sir Stephen Killik and Mr. Pridie very much for the kind way in which they have proposed the vote of thanks to me; and may I thank you, ladies and gentlemen, first of all for the patience with which you listened to my talk, and, secondly, for the very kind way in which you have passed the resolution. Sir Stephen spoke of your silence as a high compliment. Well, of course, there are two ways of looking at it. You can make a speech that is so dull and uninteresting that your hearers' interest is not aroused, and therefore they do not ask questions. I only hope that my lecture does not fall into that category, but that you did really feel in agreement with what I said. I think I could pass myself a vote of thanks in respect of this evening, in that it has provided the occasion for Mr. Leigh to give you an extraordinarily interesting talk. I am in entire agreement with every word he said, and I have been saying it over in America for the past three weeks. I found the Americans, as Mr. Keens found them, very anxious to discuss the facts. I had the pleasure of talking with bankers and brokers in New York and Boston, and I had the particular pleasure and privilege of talking with Mr. Hoover for half an hour in Washington. I think it was the most interesting half hour I have ever spent in my life, because he sat back in his chair and discussed the whole situation in America and Europe and England as freely and frankly as any man could. With regard to the question of goodwill in a balance sheet, I personally prefer goodwill to be a hidden asset rather than one given in pounds, shillings and pence. Probably I am a heretic, but "them's my sentiments." Sir Stephen Killik said that every salesman needs to know his business, and I endorse that very fully. That is what I have been working at for the last two or three years—the question of education for commerce, education that needs to be concerned not only with the technicalities of a business and knowledge of the commodity dealt in, but education in the principles of commerce and their application to a specific business. I also endorse all that he said about hard work. That ghastly example that was given us of the speech at the Albert Hall, on

"going slow" in every direction, is one of the most anti-economic speeches that could ever have been made. I was reading the other evening something that Ruskin wrote a good many years ago, in which he emphasised, as we to-night emphasise, the fact that the only source of wealth is work; that there is no hidden reservoir of wealth to which you can lay on a pipe and get a continuous flow. Unless that reservoir is fed continuously from the springs of energy and of work, mental, physical or spiritual, you cannot distribute what is not produced. That is another way of putting the fact that work is the only source of wealth. That hard, economic fact needs to be emphasised throughout this country to-day more than ever before. Ruskin said: "When I am told that a young man is promising, I ask, Does he work?"—and that is very sound because it is not much use promising if you do not fulfil that promise by performance. If there is one motto you want to inscribe on your hearts never to forget, it is that every man's promotion lies in his own hands and can only be secured by hard work, mental and physical. You must have enthusiasm and take an interest and delight in your work. If you cannot take interest and delight in the work you have to do, for Heaven's sake give it up and find a job that you can be interested in. But the truth of the matter is that there is no job in the world that you cannot make interesting if you put your whole self into it. I thank you very much for your very cordial vote of thanks.

Mr. HENRY MORGAN: Ladies and gentlemen; it would be impossible—in fact, presumptuous—on my part, to attempt to describe the services which have been rendered to this Society by Sir James Martin. Every student is aware of the very high honour and esteem in which he is held. Those of us who are members of the Council of the Society have a still fuller knowledge of the great value of the services he has rendered. But one must be a President of the Society to have a full realisation of all that Sir James Martin means to the Society, and what the Society means to Sir James Martin. He is a guide, philosopher and friend, always willing and, in fact, eager to help the President in matters of doubt or difficulty. You will therefore appreciate with what pleasure I propose a very hearty vote of thanks to him for sparing the time from his many responsible duties to come here and take the chair to-night. He confers on the Students' Society a very great privilege indeed.

Mr. E. CASSLETON ELLIOTT: In seconding this vote of thanks I should like to point out, following the line taken by several speakers, what a very fine example of hard work Sir James Martin is. At a time when a good many people would be retiring from the City, he takes on fresh duties and becomes a busier man than ever. We are deeply grateful to him for taking the chair to-night.

The vote of thanks was carried with acclamation.

The CHAIRMAN: I am deeply indebted to my Chief—because the President of the Society of Incorporated Accountants and Auditors is my Chief—and to Mr. Cassleton Elliott for what they have said about me. I do not believe that I am really as old as they make out, but as a matter of fact I was one of the enthusiastic young men who founded this Students' Society over forty years ago, and I became the first treasurer. After some years I left that office—I am glad to say my accounts were audited and found to be in order—(laughter)—and I left it in a state of solvency. I am delighted to come back to-night. I have remained a member and shall always remain a member of the Incorporated Accountants' Students' Society, because a man is never too old to be a student. I shall therefore come back when you want me with the greatest possible pleasure. I am delighted with the addresses we have listened to, and I hope that you and I have profited by them.

The proceedings then terminated.

English Speaking Accountants in Paris.

ANNUAL DINNER.

The annual dinner of English-speaking Accountants in Paris was held at the Hotel Continental, Paris, on December 17th. Mr. C. H. EVANS, A.C.A. (Messrs. Price, Waterhouse & Co.) presided, and there were over 100 guests, including Mr. H. L. H. Hill, M.A., President of the Institute of Chartered Accountants, Mr. H. Morgan, President of the Society of Incorporated Accountants and Auditors, Mr. William N. Taylor, President of the American Chamber of Commerce, Paris, Mr. C. G. Henderson, President of the British Chamber of Commerce, Paris, Mr. William L. Finger, American Assistant Commercial Attaché, and Mr. A. H. Yeames, British Commercial Secretary.

The loyal toasts having been honoured, the CHAIRMAN proposed the toasts of the "President of the Institute" and the "President of the Society." He said: We meet this evening for the ninth of these annual functions, which, I think it may be truly said, have done much to cultivate and cement those cordial relations which should at all times exist between the members of a liberal profession, if that profession is to thrive and to fulfil its true mission in the community. The first annual dinner of the English-Speaking Accountants in Paris was held in this room on November 26th, 1923, and was attended by many representatives of the profession, including Lord Plender and Mr. A. P. Richardson, the secretary of the American Institute. Year by year we have followed the good example then set. Sometimes we have confined our festivities strictly to the professional circle in Paris, when those members more fortunately endowed than others have regaled us with music and song. On other occasions we have, as is the case this evening, given ourselves the great pleasure of receiving as our honoured guests distinguished members of the Diplomatic Corps in Paris, representatives of trade, banking and industry, and leading members of our own profession in the United States and Great Britain. I often think that this annual gathering must be, in many respects, somewhat unique among the many annual functions organised by the profession, in that we gather together round our tables every year members of the Institutes of Chartered Accountants in England, Scotland, Ireland, and Canada, of the Society of Incorporated Accountants and Auditors, of the American Institute of Accountants, together with many representatives of the profession in France, some of whom have already obtained, by examination, the new Brevet d'Expert Comptable reconnu par l'Etat. And, in referring to our French colleagues who are with us to-night, may I say how much we appreciate their collaboration in our daily tasks, and how we view with the greatest sympathy the efforts which France is making to establish a real profession of accountancy on lines closely resembling those adopted in the English-speaking countries. We wish the budding profession in this country every success, and I should like to couple with this remark the thought that the English-speaking members of the profession resident here might well intimate their willingness to give of their knowledge and experience to the formation and instruction of the profession in France. We English-speaking accountants in France, and on the Continent generally, enjoy a somewhat privileged position, but I feel that there is a limit to the progress we can make unless we are prepared to absorb into our organisations and train up in our ideals and principles the best elements of the native accounting professions of the countries in which we practise. I daresay

many of you have been told in recent months by your friends who are not accountants that you are lucky in these difficult times to be an accountant. There seems to be a popular belief that accountants thrive in bad times as well as in good, and I see little in this gathering here to-night to refute that supposition. I have told you that we met here eight years ago eighty strong—to-night there are 117 present. This would seem to indicate that English-speaking accountants in Paris have little cause for complaint, and yet during those eight years one can hardly contend that the general conditions in the world have improved. Able and sincere students of international affairs have met many times in those eight years and have recommended many remedies for the ills from which international trade and industry have increasingly suffered, but to little purpose. The soundness and common sense of many of their recommendations are only too apparent, but the executives of the various countries appear impotent to put them into practice. The reason most readily advanced is that the state of public opinion will not permit it, and if that is really so I am afraid much of the blame for such a state of affairs must be laid at the feet of the Press in many countries. Large masses of people in all countries rely for their conceptions of international affairs upon their daily newspaper, and, in my experience, this reliance is very often misplaced. I think that we accountants who are practising our profession internationally should use our technical abilities to obtain such information and explanations as will enable us properly to understand the important questions of the day, and then to use what opportunities and influence we possess to disseminate the knowledge so acquired in such a way as to present a true and correct statement of the facts of the case. May I also appeal particularly to the younger members of the profession here to-night to choose their sources of information with care, and to form their opinions with caution, for I am convinced that many of the difficulties which the world in general and governing bodies in particular are labouring under to-day are caused by the spreading of inaccurate, incomplete or one-sided information by Press organs, either deliberately or because they are incompetent to do better. We have with us to-night six distinguished guests, and we are also pleased to see amongst us several of our professional colleagues from England, and one who is helping to keep the accountancy flag flying in the far distant Argentine Republic. We welcome them all, and it is with the greatest regret that we are unable to number among them, as we were eight years ago, an official representative of the profession in the United States. We are, however, deeply grateful to the Presidents of the English Institute and Society for their kindness in devoting two days of their valuable time to visiting us in Paris. We are not unmindful of the charms of the city in which we practise, but I can imagine that both Mr. Hill and Mr. Morgan could find more agreeable reasons for visiting Paris than to add one more to the innumerable dinners which they must have to consume during their periods of office. The Institute is fortunate this year in having at its head a distinguished member of a famous firm, for the practice of Messrs. Hill, Vellacott & Co. was started in the City of London no less than 138 years ago, in the days when George the Third was king and France saw the birth of the First Republic. In Mr. Henry Morgan the Society has a President whose views upon matters professional and commercial are always expressed with refreshing vigour and originality, and listened to with interest and respect. Both gentlemen have shown that accounting experience is a valuable training ground for the directorships of important industrial enterprises, and we are to be congratulated upon having them with us to-night. I am

sure I am interpreting your wishes in hoping that they will carry back pleasant memories of their visit to Paris.

Mr. HILL, in responding to the toast, said: First of all let me thank you, Mr. Evans, for the generous terms in which you have proposed this toast, and you, gentlemen, for the kind way in which you have received it. It is a privilege to have the honour to respond. You have addressed me as a guest. My firm has an office in Paris, so that possibly there would be some justification in regarding me as one of the hosts. I do not want to labour this point, lest you should expect me to pay for the excellent dinner which Mr. Morgan and I have so much enjoyed. I imagine that a great deal of the work of accountants in Paris is associated with the accounts of subsidiary companies owned or controlled by parent companies in England. It is difficult at times to determine the extent of our duties in such work, and how we should properly discharge them. Legislation has provided that any qualification in an auditor's report attached to the balance sheet of a subsidiary company must be referred to by the directors in a footnote to the parent company's balance sheet. It sometimes happens, particularly in the case of a small subsidiary company where the amounts involved are relatively unimportant, that qualifications on such matters as inadequate depreciation or inflated values may be necessary, but, by virtue of their insignificance compared with the size of the parent company's operations, these qualifications may convey an impression of doubt and insecurity not warranted by the true facts. In practically all cases, however, a desire is expressed by the directors of a parent company that auditors of subsidiaries should not find it necessary to qualify their reports, and every means is sought to enable them to give what is known as "clean certificates." It is not an infrequent practice, therefore, to draw up balance sheets of subsidiary companies so informative in themselves, and sometimes amplified by notes of different kinds, that auditors can properly report without qualification, with the result that the shareholders of the parent company have no indication in the accounts submitted to them that the condition of the subsidiary companies is not all that it should be. It may be argued that legislation does not provide adequate safeguards against abuses by the machinery of subsidiary companies, and that we are not responsible for the shortcomings of legislation. Be this as it may, I suggest that we should not be greatly concerned with merely the minimum obligations imposed upon us by law. We know perfectly well what abuses the law was framed to prevent. We are obliged to report on certain matters, but we are not restricted in any way. There is always a lag, and legislation with which we are concerned is always framed upon the best accountancy practice. We must, therefore, take the lead so that, if and when fresh legislation is enacted, there may be by that time an established practice in accountancy in advance of the requirements of present day legislation, and established practice that will assist and direct those who frame the laws to institute further safeguards for investors and the public. Our position as auditors is a strong one. From our experience we know, in ninety-nine cases out of a hundred, if not what information should be disclosed to shareholders, at any rate what indications should be given to them that the state of affairs may not be actually, though it may be technically, what it appears to be. We have it in our power either to shelter behind the provisions of inadequate legislation or with more regard for the spirit of the law to employ more freely the medium of our report to enable the shareholders of parent companies properly to appreciate the true position of their property. It is generally admitted that it is not

difficult to keep within the law, and at the same time by economy of information and other means to prepare accounts which may lead nowhere, or may even tend to mislead. Many advocate a revision of the law so that the hands of auditors may be strengthened and their burden of responsibility diminished. On this point I do not wish to express an opinion, but I will say this: I am thankful to believe that the time will never come when legislation can be so definite and comprehensive that auditors will be reduced to mere automata, to obey audit programmes laid down by Statute. The whole value of our work is dependent upon our proper exercise of judgment. Our responsibilities are great and increasing; let us not be oppressed by them, but let us rather welcome them and prove ourselves worthy of the meagre directions indicated by law, worthy of the free hand and the power given us to use it in any way that our knowledge and experience may dictate, that we may respond to the confidence that investors and the public are good enough to place in auditors. The restoration of confidence is one of the most important elements in the solution of our national and international problems. With unity and courage, and with an increased sense of our responsibilities and powers as auditors, we may contribute to this end in no small degree.

Mr. MORGAN, in responding to the toast, said: It is a great honour to be the head of any professional body, and I can assure you of the pleasure and satisfaction which I feel at meeting members of my profession, both at home and overseas. One of my happiest recollections will be this visit to the English-speaking accountants in Paris and the cordiality of the welcome you have extended to me, which I greatly appreciate. This gathering in the Capital City of a great country, composed so largely of representatives of the British and American accountancy bodies, supplies proof, if proof were needed, of the high repute in which English-speaking accountants are held throughout the civilised world. Accountancy as a profession originated with the British, and its enormous development since the beginning of this century it owes largely to the English-speaking nations. Scotland was the pioneer of the profession, with the formation of the three Chartered bodies; next came the Institute of Chartered Accountants in England and Wales in 1880, followed by my own Society five years later. The reputation of our profession has grown up by reason of the standard of ethics and conduct to which the members have voluntarily and instinctively conformed. Few rules have been laid down and comparatively few members have fallen short of the high standard which it is the duty of the respective Councils to maintain. My thoughts are admirably expressed by Mr. A. P. Richardson, the former Secretary of the American Institute of Accountants, in his recent book on the Ethics of a Profession, when he says "There are thousands of men to whom the written rule is unnecessary. . . . An accountant who will do things not quite in consonance with the best tradition will not do the best work." I have had the pleasure from time to time of meeting representatives of the accountancy profession in the United States, who share with us similar professional ideals. In my own country and in America the estimation in which professional accountants are held exhibits a record of continued progress. This well-founded confidence of the investing public is the very foundation upon which our profession has been built up and upon which its success and welfare most largely depend. I venture to say, however, that there has never been a time when auditors of public companies have been beset with so many doubts and difficulties, nor confronted with such intricate problems as at present.

Investors all over the world have suffered grievously, not only through heavy depreciation of their investments, but also as a result of reprehensible practice during the speculative boom of 1928 and 1929. At the present time shareholders are inclined to be very critical with regard to companies' published accounts. The disastrous depression throughout the world, which I regret is still acute, must be reflected in the balance sheets and accounts which auditors are required to certify. These difficult conditions are further accentuated by the sensational and rapid fluctuations in exchange, as one country after another has gone off the gold standard. The lot of an auditor under such circumstances is not an enviable one, but his perplexities have been multiplied by the issues raised during the proceedings in the *R.M.S.P.* case, which must become historic in the accountancy profession. No case within my memory has exercised so much the minds of members of our profession. The Institute of Chartered Accountants within the last week has published the joint Opinion of Mr. Wilfrid A. Greene, K.C., and Mr. Cecil W. Turner, as to the legal aspect of the questions and matters in the recent case arising out of the affairs of the *R.M.S.P. Co.* The opinion of so eminent authorities must carry great weight, and the document is of intense interest to members of our profession. I have no doubt that most of us have not only read but studied and considered it most carefully, and it is very necessary that we should do so. A casual reading of this important document might lead one to believe that, in view of the circumstances under which the proceedings in that case were taken and conducted, the duties and responsibilities of the auditors of public companies remain unchanged. It must be borne in mind, however, that in this Opinion Counsel are advising a very important professional body as to whether it should take some action for the guidance of its members, and their advice appears to be based, as I should expect it would be, upon strictly legal considerations. The accountancy profession, however, would never have acquired its high reputation in the eyes of the commercial and investing public if its practising members had regarded their obligations and responsibilities as extending no further than the minimum imposed upon them by the law. Beyond this we have a great moral responsibility and a duty to the public to use every effort to ensure that balance sheets and accounts which we certify are so drawn up as to prevent any incorrect view or wrong impression being formed by those who may rely upon them.

It is a fact that since the *Royal Mail* case there has been a tendency on the part of directors of public companies to make their published profit and loss accounts more informative than previously. An important aspect of the *R.M.S.P.* case to our profession is the effect which it has had upon the public generally. The losses and suffering caused by the disaster which overtook that great company extended over a wide area and affected tens of thousands of people. It is hardly surprising that public opinion has been disturbed. The proceedings in that case led me to the conclusion that some of the questions involved would have been avoided had the law required disclosure in the profit and loss account of the actual trading results year by year and the amounts of revenue derived from various sources. Further, it is extremely probable that the disastrous losses suffered by stock and debenture-holders would not have occurred, or at any rate would have been minimised. I maintain that it is of great importance, both to the investing public and to our own profession, that efforts should be made to remedy the inadequate provisions of the Companies Acts in regard to accounts with as little delay as possible. It

is unjust to blame the auditor for lack of information in the accounts he certifies, and yet this is insufficiently realised for it not infrequently happens that the minimum requirements as laid down by the law determine the limits of the auditor's powers. The accounts of companies may be—and in fact are—published in a way which accountants would regard as complying with all the requirements of the Acts. Nevertheless the information given may be insufficient for a shareholder to form an opinion, with any reasonable degree of accuracy, as to the position of the company, the value of its shares, or its profit-earning capacity. I have endeavoured to draw attention to certain matters which in my view call for our immediate consideration as members of the accountancy profession. But I wish to state emphatically that the vast majority of public companies in Great Britain present their balance sheets and accounts in a form which supplies shareholders with all the information they can reasonably claim, and such accounts do not call for any degree of criticism, professional or otherwise. But there are others—I am glad to say relatively only few—and it is to cleanse public company practice from some of the regrettable and unsatisfactory features which have so disfigured it during recent years that I urge a revision of the law. The difficulties of the times impose limitations upon free communication between the countries represented here. We can all recognise the necessity of such restrictions, but I hope the time will come when personal travel will again become more general and international contacts more easily established. In the meantime I am happy to express my appreciation of the work of English-speaking accountants in Paris in regard to their own profession, and of the manner in which, in their own sphere, they represent my own country and the United States of America.

Mr. EDMUND HEISCH, F.C.A. (Messrs. Deloitte, Plender, Griffiths & Co.), then proposed the toast of the "Commercial Attachés," and expressed his appreciation for the services rendered to commerce, and especially to British commerce in France, by the commercial attachés. He particularly referred to the masterly annual summary of the British Commercial Attaché, Mr. J. R. Cahill, consisting of a report, 350 pages long, on the Exports and Imports of France.

Mr. FINGER, in a humorous reply, said that the Commercial Services of the American Embassy were always at the disposal of the English-speaking accountants in Paris.

Mr. YEAMES also stated that the services of the commercial section of the British Embassy were always at the disposal of those present, and referred briefly to the difficulties that had arisen in consequence of the ravages of the Colorado beetle in France and the desire to prevent the insect obtaining a foothold in Great Britain.

Mr. THOS. H. KOERNER, B.A., C.P.A. (Messrs. Haskins and Sells), proposed the toast of the "American and British Chambers of Commerce in Paris," which was responded to by Mr. William N. Taylor and Mr. C. J. Henderson.

Mr. TAYLOR referred to the continual struggle between the tax collector and the taxpayer, on which accountants had naturally thriven. He also mentioned with appreciation the efforts of accountants in solving taxation problems, and hoped that taxation authorities in all countries would one day accept the certificates of professional accountants as final.

Mr. HENDERSON stated that he had no intention of criticising accountants, in fact he could not do it. He would, however, like to correct a wrong conception

prevailing in England, viz, that the exports from France to England were approximately equivalent to the exports from England to France. He would be happy if this was the case, but actually the exports from France were 25 per cent. higher than the exports from England. He also expressed the hope that the surtax of 15 per cent. applied to imports from Great Britain and a few other countries would soon be removed.

The proceedings terminated with a vote of thanks to the Chairman, which was received with acclamation and to which Mr. Evans briefly responded.

LECTURES AND TRANSACTIONS OF THE Incorporated Accountants' Students' Society of London, 1930-31.

Security Values—Price Levels—Office Mechanisation —Executorship Problems.

The Committee of the London Students' Society has at times been subjected to mild criticism on the ground that the syllabus goes too far beyond the province of a student's training. The obvious answer is that no useful purpose would be served by a continuous repetition of the lectures which all candidates receive as part of their coaching; that it is far better to broaden the minds of the students by devoting some portion of the syllabus to the wider problems of public practice, and (to quote Mr. Rea Price) to the major problems of economics that impinge upon the growing responsibilities and prestige of the public accountant. That the Committee hold this latter view is evidenced by the contents of the annual volume of transactions, which is thereby raised above the dignity of a text-book by reason of the inclusion of authoritative pronouncements on burning topics by some of the most eminent lecturers and writers in every sphere of business life.

In the new volume which covers the Autumn Session of 1930 and the Spring Session of 1931, we have such diverse subjects as: (1) "Influences affecting the Value of Securities," by Mr. Hartley Withers; (2) "The Liabilities and Duties of Auditors," by Mr. W. H. Grainger, Incorporated Accountant; (3) "The Stock Exchange," by Mr. Philip Vos; (4) "The Conduct of Investigations," by Mr. L. H. Graves, Incorporated Accountant; (5) "Some Practical Points on Executorship Law and Accounts," by Mr. H. A. R. J. Wilson, F.C.A., Incorporated Accountant; (6) "The Accountant and Post Slump Problems," by Mr. J. C. Rea Price; (7) "General Principles of Factory Costing," by Mr. Percy H. Walker, Incorporated Accountant; (8) "Typical Problems in Trust Accounts," by Mr. H. A. R. J. Wilson; (9) "Mechanisation in Banks," by Mr. C. R. Robson; and (10) "Money, Prices, and Trade," by Mr. A. A. Garrett, M.A., B.Sc., Secretary of the Society of Incorporated Accountants and Auditors.

THE VALUATION OF SECURITIES.

Mr. Hartley Withers, at one time City Editor of *The Times* and later Editor of *The Economist*, writes upon the various factors—economic, physical and psychological—which affect the value of securities. He faces the difficulty of attaching a precise meaning to the word "value," a point which is always being discussed at enormous

length by economists. He is considering the influences which make people give a certain price for securities, and for that purpose he claims that the basis of the price must be some kind of income or earning power which is behind the securities and to which the service of the securities is more or less pledged. Currency risk and the sentiment of taxpayers are considered in relation to public funds. In the realms of company finance the lecturer analyses the usual form of published accounts and comes to this conclusion: "The figures that you get in the profit and loss account tell you almost as little as the figures that you get in the balance sheet, and they tell you nothing at all, of course, about the prospects. They cannot—they are not meant to; but that is an extremely important thing with regard to the future of companies and of all kinds of securities, and it is in making guesses about the future that the public generally comes to conclusions as to the prices that it is prepared to pay for securities." The kind of people who are managing the company may be of more importance than the accounts themselves, and the intelligent investor therefore makes a special study of this particular influence in the value of his securities. The "Moods of the Public" is another heading, and the paper concludes with a call for a great investment trust, to be organised by the very best people in the City, to provide for the ignorant investor who wants to invest and not to speculate. The discussion which follows this paper is of outstanding interest, including as it does, the considered views of Mr. Henry Morgan, President of the Society of Incorporated Accountants and Auditors, Mr. Arthur Michael Samuel, M.P., Sir James Cooper, K.B.E., F.S.A.A., Mr. Arthur S. Wade, City Editor *Evening Standard*, Mr. R. M. Montgomery, K.C., Mr. O. R. Hobson, Editor-in-Chief *Financial News*, and the Chairman, Sir Stephen Killik, J.P.

PRICE LEVELS.

It is not a very big stride from the value of securities to "Money, Prices and Trade," and Mr. Garrett, in his contribution on this subject, explains his three terms in a manner which is easily comprehensible, but not too elementary. This lecture was delivered before this country went off the gold standard. Much of the economic disturbance of the past year or two can be attributed to fluctuating price levels, and Mr. Garrett points out that the price levels depend (among other things) on the relationship of (a) the quantity of goods produced in the aggregate, (b) the amount of money available, (c) the rate at which money available is turned over, (d) the rate at which goods produced are turned over, and (e) the way in which money is employed, e.g., is it placed on deposit or being invested for capital purposes, or in buying consumable things? The difficulties of fluctuating price levels are accentuated by the fact that changes in the prices of raw materials, of finished goods, of wages, salaries, profits, professional fees, do not take place together. It takes time for a change in one set of price levels to work itself out into the other price levels. Hence the economic disturbance which should be temporary, but which must last until a fairly definite price level is once more stabilised.

POST-SLUMP PROBLEMS.

Reviewing this particular contribution twelve months after the lecture was delivered, one realises the optimism of the author. Not yet are we face to face with the real post-slump problems, but how necessary it is that we should realise and visualise these problems before the

time for action has actually arrived. Mr. Rea Price, City Editor of the *News-Chronicle* and *Star*, really deals chiefly with problems which are ever present to the public accountant, problems which demand continuous solution in times of boom or slump. His chief headings are: (1) "The Accountant and the Stock Exchange Regulations"; (2) "The Accountant and Post-Slump Prospectuses"; (3) "The Future of Auditors' Certificates"; and (4) "The Presentation of Published Accounts." In dealing with published accounts, the author writes as follows, in relation to secret reserves: "By sub-sect. 2 of sect. 132, it is not for the auditor to question the creation of hidden reserves, but I venture to suggest that the man in the street would be surprised if it were suggested that an auditor could sign a balance sheet in which secret reserves had been used to cover long periods of trading losses." This was written before the *Royal Mail Steam Packet* case.

OFFICE MECHANISATION.

Mechanical book-keeping has come to stay. It is easy to magnify the dangers which arise from this modern development of the office, but banks and other large business houses have convinced themselves that the advantages far outweigh any disadvantages. Mr. C. R. Robson here sets forth in detail the actual operation of the ledger posting machine as used by the banks. The changes which the new system has involved in the routine work of a bank are explained, and the author makes a frank comparison between the old and new methods from the point of view of the bank, and then gives chapter and verse for his contention that the customers of the bank also reap a definite advantage from the mechanical process.

EXECUTORSHIP PROBLEMS.

Mr. Wilson, who contributes the two papers on Executorship and Trust Accounts, is a well known lecturer at all students' gatherings. He obviously concerns himself principally with the professional career of candidates, and not merely with the question of passing examinations. In a professional body, such as the Society, it should never be forgotten that the examination is not an end in itself; it is a means towards obtaining the qualification and a test of the fitness of the candidate to be given the right to use the designation "Incorporated Accountant." These two papers, then, are practical and cover many of the problems which arise in the daily practice of a public accountant. The particular problems selected include: Hotchpot, Division of Income, Estate Duty payable by certain companies under the Finance Act, 1930, the Valuation of Shares, and Marginal Relief.

RHETORIC AND ORATORY.

The report of the Committee for the year 1930, which is included in the volume, shows the London Students' Society to be in a flourishing condition. The attendances at meetings are gratifying, and it is worthy of note that the student members are not slow in grasping the opportunity of learning to speak in public. The twin arts of rhetoric and oratory are essential to the complete accountant, and the Incorporated Accountants of the future will be all the better equipped for their profession by reason of their active participation in these debates. The Committee deserve the thanks of the Parent Society, but it is to Mr. James C. Fay, the energetic and efficient Secretary, that the largest measure of praise is due for the continuous and progressive success of the London Students' organisation.

The Conversion of a Business into a Private Company.

A LECTURE delivered to the East Anglian Society of Incorporated Accountants by

Mr. HERBERT W. JORDAN.

Mr. H. HARPER SMITH, J.P., F.S.A.A., occupied the chair.

Mr. JORDAN said: This evening I propose speaking on Private Companies, and more particularly on the formation of a private company to take over an existing business, a practice generally spoken of as the "conversion of a business into a company."

The practice is, as you are well aware, well established. Of course, the expression is not an accurate one, as it is not the business but the ownership which undergoes a change. The proprietor of the business sells it for shares or debentures of a company which has been or will be formed to acquire from him the business, and even though the proprietor (during the process described as the "Vendor") may, as a result of the conversion, hold almost all the shares, it must be remembered that the company is a separate entity.

Until 1870 the companies formed were rarely of a family (or private) character, for the purpose underlying the registrations was usually the obtaining of capital from the investing public. From that time onward, however, registration of companies of that character gradually increased, and by 1874 scarcely a week passed without some private business being converted into a company. In the course of time the progress became more marked, and the registration of companies of a private character outnumbered those appealing to the public for capital. No distinction between the two classes was recognised by the Legislature, however, although for a number of years companies having a small membership were popularly described as private companies, especially where the bulk of the shares was held by members of a particular family. No statutory recognition of such companies was accorded until 1907, when a Companies Act was passed under which a company adopting in its Articles provisions prescribed by the Act became a "private company," and as such entitled to certain privileges. The provisions of the 1907 Act are re-enacted in the Act of 1929, under which a private company is a company which, by its Articles:

- (a) Restricts the right to transfer its shares;
- (b) Limits the number of its members to fifty, not including persons who are in the employment of the company and persons who, having been formerly in the employment of the company, were while in such employment and have continued after the determination of that employment to be members of the company; and
- (c) Prohibits any invitation to the public to subscribe for any shares or debentures of the company.

The condition as to the restriction of the right to transfer shares is easily complied with, as almost any restriction will suffice, provided, of course, that it is not a merely colourable one and unreal, and provided that it applies to the whole of the shares. The restriction need not be specific, and a general authority conferred on the directors to decline to register any transfer of which they do not approve suffices.

Private companies rarely have a membership approaching the maximum of fifty persons, apart from employees

and ex-employees. It will be observed that there is no limit to the number of employee shareholders, and that such persons are not required by statute to part with their shares on their ceasing to be employed by the company. The provision enabling persons to retain their holdings after the determination of their employment was made by the Companies Act, 1913, for the relief of companies which had not bound their employees to transfer their shares on leaving the company's service. A company may, however, and sometimes does require persons ceasing to be employed by the company to transfer shares held by them on retirement to some person nominated or approved by the directors.

Although in accordance with its constitution the offer to the public of shares or debentures is forbidden, a private company is not prevented from inviting its members and debenture holders to take up further shares or debentures. The invitation may be made by word of mouth or by means of a circular or notice delivered by hand or through the post. There is no objection to any such circular or notice setting out all the particulars required to be disclosed in a prospectus (which expression means "any prospectus, notice, circular, advertisement, or other invitation offering to the public for subscription or purchase any shares or debentures of a company") being sent by a private company to its members or debenture holders, and filing with the Registrar is unnecessary.

The official figures of company registration for 1931 will not be issued until nearly the close of the present year, but the statistics compiled by my firm show that during 1931 there were registered in England 8,159 private companies, with an aggregate nominal capital of £24,144,555. Allowing for mortality at an average figure, this brings the total of private companies to a figure well in excess of 90,000. The total number of public companies, I may say, is in the vicinity of 15,000.

The framers of the 1862 Act had in view only the formation of companies of a public character. When, however, it was realised that firms and individuals could avail themselves of the advantages to be derived from registration, and it became the practice to convert businesses into companies of a private character, the public regarded such companies with disfavour, suspecting that the firms or individuals in question were nearing the end of their financial resources, and only effected the conversions with a view to avoiding bankruptcy. In some instances that was undoubtedly the case, for in the 'sixties and 'seventies registrations were effected as a rule solely for the sake of the protection afforded. That the advantages, apart from the limitation of liability, are substantial was realised only generally in the course of time.

The conversion of a business into a private company, for instance: (a) provides facilities for obtaining additional capital and borrowing money; (b) renders practicable amalgamations or the establishment of reciprocal interests with other bodies which otherwise could not be effected; (c) enables employees, with adequate safeguards, to be afforded an opportunity of acquiring interests in the business in proportion to their respective positions and responsibilities; (d) allows of the disposal of interests in the undertaking to relatives or friends of the former owner during his lifetime, which could not have been effected before the conversion; and (e) avoids the financial difficulties frequently attendant on the death of the owner of a business or a partner in a firm.

The benefit of the advantages indicated in (d) and (e) operate in favour of an owner of a business who wishes to reduce his active participation in the management

thereof, and by its conversion he is able to achieve this end without fear of the risks which might otherwise attend or wait upon retirement. This consideration is probably responsible for the registration of a large proportion of the companies registered each year.

The propriety of the practice of converting businesses into private companies was recognised by the Company Law Amendment Committee, appointed in 1894, as will be seen from the following extract from its report:—

"There is an obvious convenience which is largely felt in enabling capitalists who are retiring from business to leave their money in it and retain the status of partners without incurring unlimited liability, and it is also convenient for persons whose property is invested in a prosperous business to provide for their families, by way of settlement or testamentary disposition, by means of shares in the business without liability. This is a legitimate use of the principle of association with limited liability, and the machinery of the Companies Acts has been used for this purpose."

A further Company Law Amendment Committee, appointed in 1918, stated in their report that:—

"The figures show, and the evidence before us has shown, that the private company has met a want. . . . The private company might no doubt be used for purposes of fraud, but there is no evidence before us that it is so used. It has been on its trial for about ten years. We think it has, up to the present, justified its existence, and should be left undisturbed."

Several other authoritative opinions to the same effect might be quoted, but they may be passed over, as it is unlikely that the prejudice against the private company which was general thirty and more years ago, though not yet wholly dispelled, exists in the mind of any person here to-night.

Any business, however large or small, can be converted into a company. There are many private companies in existence with capitals of a million pounds and upwards, but the bulk are registered with capitals of modest dimensions. Last year the average capital of the private companies registered ranged from several million pounds down to £1, whilst a few years since there was registered a private company with a capital of one half-penny, divided into two shares of a farthing each!

Adverse criticism has at times been levelled against companies which have been incorporated with capitals that on the surface have seemed to be inadequate. In the case of the companies criticised there may have been circumstances unknown to the general public which justified the criticism.

Considerations of economy may, however, be a determining factor when the capital is decided upon. Thus, where on the acquisition for the purposes of the business of a property which afforded good security, the issue as consideration therefor of debentures (on which mortgage duty at 2s. 6d. per cent. is payable) instead of shares (on which capital duty is payable at the rate of £1 per cent.) represents a saving of 17s. 6d. per cent. on the amount representing the difference between the capital with which the company is registered and the capital with which it would have been registered if debentures had not been issued.

The capital of a company does not necessarily bear any relationship to the magnitude of its operations, and many registrations could be cited in support of this statement. An insurance company, for example, registered with a capital of only £101, nevertheless deposited

£20,000 in the Chancery Court pursuant to the Assurance Companies Act, 1909.

Registrations are almost invariably embarked upon only after serious consideration on the part of the interested parties, and the businesses proposed to be carried on by private companies, though they embrace every conceivable industry, are usually of a commercial and private nature, although curious registrations occur at times.

To deal with an ordinary kind of conversion, and to discuss the more important points that are likely to arise, let us take for the purpose of illustration the case of a fairly prosperous business man whose family consists of a wife, and a son and daughter. He wishes, we will assume, to provide a fixed income for his wife in the event of her surviving him, and also to make provision for his daughter after the death of her parents, his intention being that the control of the business shall eventually vest in his son.

These wishes can be carried into effect without difficulty if the proprietor "converts his business into a company"—to use the convenient and well understood, although inaccurate, expression. A private company will be formed and the business will be transferred to it by the proprietor in consideration of the issue to him or his nominees of a number of fully paid shares, and, it may be, debentures also.

Thus the company would take the place of the former proprietor of the business, and the former proprietor (and any nominees) would become, instead, a holder of shares of the new company, and possibly also a debenture-holder.

In the majority of cases of conversion it is desirable, for obvious reasons, to perpetuate the name under which the business has hitherto been carried on, and frequently no addition to the name is necessary beyond that of the word "Limited." But a company may not be registered under the name of one already registered or so nearly resembling that name as to be calculated to deceive, except where the existing company is in the course of being dissolved and signifies its consent in the manner required by the Registrar. In such a case the consent of the liquidator on the prescribed form must be filed before the company can be registered. It will be readily understood that there are numbers of trading styles which have already been adopted by companies and are, accordingly, not available. For example, one would expect such a name as "Smith & Son, Limited," to be already taken, although there is always a possibility that a name on the indexes at the Companies Registry which stands in the way is that of a company that has been wound up, and is thus set free for adoption by another company. It is in every case advisable to have the proposed name submitted to the Registrar in order to ascertain whether there is any objection to it. Where there is a similar name on the register the difficulty can usually be obviated by adding to the proposed name the Christian name or initial of the proprietor of the business, or the name of the town in which the business is carried on, or a description of the business. Thus "Jones & Son, Limited," might be acceptable if altered to "John Jeremiah Jones & Son, Limited," "J. J. Jones & Son, Limited," "Jones & Son (Timbuctoo), Limited," or "Jones & Son (Ratcatchers), Limited."

Occasionally companies are registered with names which, by being humorous or otherwise out of the ordinary, are calculated to arrest attention. Recent examples of "freak" names are "Step Upstairs and Save & Tailors, Limited," "Room in the Roof, Limited," and "Old Betty Plant's, Limited," the latter company

being incorporated to carry on the business of a confectioner.

Before forming the company the proprietor of the business will consider carefully what the amount of the consideration for the transfer of the undertaking should be, the form in which it should be satisfied, and how the amount should be apportioned between himself and his nominees if he should not propose to hold all the shares himself.

Let us assume that the business is a progressive one, and, as a going concern, is worth £10,000; that the net profits (after deduction of drawings, which the proprietor would continue to take in return for his services to the company) during recent years have averaged £950 per annum; that the proprietor desires that his widow (assuming that his wife survives him) shall have a reasonably secure income derived from the business of £400, and that on her death the capital from which such income is derived shall be vested in his daughter. In such circumstances the company might be formed with a nominal capital of £10,000, or a somewhat higher figure, and the business be transferred to the company in consideration of the allotment of 5,000 ordinary shares and 5,000 preference shares, the latter shares carrying the right to an 8 per cent. cumulative preferential dividend. In that case, if the profit of £950 per annum were maintained, the holders of the preference shares would receive £400 in the shape of dividends, and the balance (less any sum that might be placed to reserve) would be distributed as dividend on the ordinary shares. On the other hand, if the profits should fall to a considerable extent, and the company get into arrear with its dividends on the preference shares, the arrears would have to be made good before further dividends were paid on the ordinary shares. In the event of the company being wound up (in consequence, it may be, of the undertaking having been sold, or of getting into financial difficulty) and any surplus remaining after satisfaction of the claims of the creditors, the preference shareholder would be entitled to a return of the whole of capital and any arrears of dividend before any sum is paid to the ordinary shareholders (assuming that the Articles so provide).

It would probably be desirable to allow votes to be given in respect of preference shares only in cases where any resolution affecting their rights or for the winding up of the company is submitted at a general meeting. If such a restriction is not imposed but it is not desired that the holders of preference shares should have equal voting rights with the holders of ordinary shares, it might be decided to attach one vote to (say) every ten preference shares (giving one vote in respect of each ordinary share), or to deprive preference shareholders altogether of the right to vote.

In similar cases it is usual for the proprietor of the business (of whom we may now speak as "the vendor") to take in his own name all, or almost all, the shares issued by the company in consideration of the transfer of the business. The vendor may then, by his will, vest the preference shares in trustees upon trust to pay the dividends thereon to his widow during her lifetime, and upon her decease, to transfer the shares to his daughter. The ordinary shares would be bequeathed to the son, as the rate of dividend thereon would depend in the main upon the attention given to the business by him and the ability and judgment he exercises.

As a rule the vendor desires to have as much control over the affairs of the company as he exercised over the business while it was owned by him. In such cases the requisite powers may be taken in the Articles of Association, which may appoint the vendor managing director

and chairman of the board of directors with power to appoint and remove other directors at will, and also determine his remuneration and theirs. The Articles of Association might also confer on him the right to a casting vote at board and general meetings, and even give him two or more votes as against one vote for each of the other directors, or provide that no resolution shall be effective unless he concurs therein. But it must not be overlooked that Articles are capable of alteration by special resolution, so that his position will not be secure unless he has control of more than one-fourth of the votes, thus making it impossible for the supporters of any proposed alteration to secure the requisite three-fourths majority at the first meeting without his concurrence. If he should deem some safeguard advisable he would be well advised to enter into a formal agreement with the company to serve it on such terms as he may think fit.

If, however, the vendor should hold shares conferring on him not less than three-fourths of the total voting power, he will have practical control over the company's affairs, as he will be in a position not merely to carry an ordinary resolution (requiring a bare majority of votes) but also any special resolution (requiring a majority of three-fourths of the votes), and thus to alter the Articles of Association at any time if he should so desire. Even though he were not the holder of the bulk of the shares he could nevertheless have an overwhelming proportion of the votes if he were to take part of the consideration of the transfer of his business in shares carrying special voting rights. Instead of taking 5,000 ordinary shares, for example, he might take 2,500 ordinary shares and 2,500 deferred shares, each of the latter carrying the right to, say, ten votes on a poll as against the one vote attached to each ordinary share (and possibly also each preference share). As an alternative, the deferred shares might be of the denomination of 1s., 1d., or even $\frac{1}{2}$ d., and the right to one vote could be attached to each share irrespective of its nominal value.

No legitimate exception could be taken to the device of splitting up part of the capital (or the entire capital) into shares of a very small nominal value, although it would excite a certain amount of curiosity. Instances of the kind, although rare, are not so uncommon as might be supposed. Some years back, for instance, a grocery company was registered with a capital of £11,103 15s. divided into 10,000 ordinary and 500 "B" shares of £1 each, and 900 employees' shares of 1d. each; and another company was registered with a capital of £468 15s. divided into 112,500 shares of 1d. each, its principal object, according to its Memorandum, being to carry on the business of bankers! An hotel company has been registered with a capital of £72 18s. 4d. divided into 2,500 "A" shares of 1d. and 125 "B" shares of 10s. In 1891 a gold mining company (The Ancient Goldfields of Africa, Limited) was registered with a nominal capital of £10,000 divided into 9,600,000 shares of a farthing each. You may be interested to learn that the amount of the subscribed capital was 1 $\frac{1}{2}$ d.! Recently a public company was registered with a capital divided into 10,666,720 shares of 9d. each! Last October two companies were registered with capitals divided into shares of the denomination of 1d. each, one having 240 of such shares and the other 24,000.

On a show of hands, which is the method by which a decision is first arrived at, each person voting has one vote, so that unless a poll is taken the vote of the largest shareholders counts for no more than that of the smallest. It is therefore essential that the former owner of the business should be able to demand a poll, and, accord-

ingly, the Articles should give the right to one member to demand a poll. Table A in the Companies (Consolidation) Act, 1908, requires a demand to be made by three members, but Table A of the Companies Act, 1929, which came into force on November 1st, 1929, allows a poll to be demanded by three members irrespective of the number of shares they hold or by one member alone or two members together holding 15 per cent. of the paid-up capital.

On the registration of a company, duty at the rate of £1 for every £100 of the nominal capital will be required, and a fee stamp ranging from £2 (where the capital is £2,000 or less) to a maximum of £50 (where the capital is £525,000 or more) is also payable. In addition, certain deed and fee stamps, together amounting to £2, must in every instance be impressed on the Memorandum and Articles of Association and the forms filed therewith. On a nominal capital of £10,000, the figure suggested in our hypothetical case, £108 5s. would be payable, being capital duty of £100, fee stamp £6 5s., and deed and fee stamps £2. But if the company were registered with a nominal capital of £5,000, and debentures were issued instead of preference shares, the total payment would be only £64 5s., being £57 at the time of incorporation, £6 5s. on the issue of the debentures, and £1 on registration of the latter.

Duties will also be payable on the agreement transferring the business to the company, which will have to be filed with the Registrar of Companies. This document will have to be stamped with *ad valorem* duty of £1 per cent. on the amount of the consideration, less the value of the stock-in-trade, goods, wares, and merchandise, cash in hand and at bank (on current account), and possibly other items. This duty is quite distinct from company duties and fees, and has to be paid on any transfer of property of the nature indicated. For the purpose of stamp duty the liabilities of the vendor, if undertaken by the company, must be reckoned as part of the consideration. If, in our hypothetical case, the liabilities amounted to £750, the Stamp Officials would regard the consideration as £10,750, and require duty on that sum either on the agreement or any conveyance or assignment, less the value of the stock-in-trade, &c. If, say, £6,050 were attributed to these items, duty would be payable on the balance of £4,700, the amount thus being £47. A deed stamp of 10s. would also be required, and, on registration, a fee stamp of 5s. would be payable.

The liabilities cannot be set off against an equivalent amount of book debts, but some duty may be avoided by excluding from the sale the book debts (or a portion thereof), leaving the vendor to collect them and to discharge the liabilities, or the company may undertake to do so on his behalf, accounting to him for all receipts and payments.

The agreement, together with a return of allotments, must be filed with the Registrar of Companies within a month of the allotment of the shares to which it relates.

The other documents required to be filed from time to time are, principally, a return of capital and members each year, a copy of the Register of Directors (when a change takes place), any special or extraordinary resolution, and particulars of any mortgages, debentures or other charges that may be created.

A register of members, minute books and common seal must be kept in addition to the ordinary books of account. The entering up of the statutory books is a duty falling to the secretary, and rarely occasions any difficulty in the case of a private company.

Bradford and District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Bradford and District Society of Incorporated Accountants took place on January 15th, at the Midland Hotel, Bradford, when Mr. ALBERT E. STRINGER, F.S.A.A., President of the District Society, presided over a large attendance.

The guests included Mr. Thomas Keens, D.L., F.S.A.A. (Past President of the Society of Incorporated Accountants and Auditors), the Deputy Lord Mayor of Bradford (Alderman W. Illingworth) and Miss Illingworth, the Mayor and Mayoress of Halifax (Alderman Rufus Stirk, O.B.E., and Mrs. Stirk), the Mayor and Mayoress of Keighley (Alderman M. P. Cryer, F.S.A.A., and Mrs. Cryer), Mr. Joseph Hepworth, M.P., and Mrs. Hepworth, Mr. H. Holdsworth, M.P., and Mrs. Holdsworth, Mr. W. Tate, F.S.A.A. (President, Yorkshire District Society of Incorporated Accountants), Mr. H. H. Blackburn (President, Leeds and District Society of Chartered Accountants), Mr. A. A. Garrett, M.A. (Secretary of the Society of Incorporated Accountants and Auditors), Sir Benjamin Dawson, J.P., Mr. John Conchar, LL.B. (President, Bradford Incorporated Law Society), Mr. W. Elliott (Inspector of Taxes, Bradford), Mr. T. D. Raine (President, Bradford Insurance Institute), Mr. Joseph Turner (President, Manchester and District Society of Incorporated Accountants), Mr. Leslie Lewis (President, Incorporated Accountants' District Society of Sheffield), Mr. Alexander Hannah (President, Liverpool Society of Incorporated Accountants), Mr. G. A. Ridgway (President, Incorporated Accountants' Hull and District Society), and Mr. W. H. Stalker (President, Incorporated Accountants' Newcastle-upon-Tyne and District Society), and representatives of Bradford and Leeds districts of the Institute of Chartered Accountants, the Incorporated Law Society, the Institute of Bankers, the Insurance Institute, Mr. C. W. Boyce, F.C.A. (Chairman of the Accountants' Section of Bradford Chamber of Commerce), Councillor D. H. Waterhouse (Chairman of Bradford Education Committee and Senior Vice-Chairman of the Yorkshire Centre of the Auctioneers' Institute), and Mr. H. Richardson (Principal of Bradford Technical College).

The loyal toast having been honoured,

Mr. JOSEPH HEPWORTH, M.P., proposing a toast of "The City of Bradford and District," spoke of the wide ramifications of Bradford industry and commerce, its difficulties of late years and its determination to be well in the forefront in the recovery of British trade, which he felt sure was coming. This country had, on the whole, neglected technical education. Bradford was an industrial and commercial centre, but commerce to-day could not progress without its technical experts, any more than business could progress, in the complication of modern methods, without the valuable assistance of accountancy. (Applause.)

The DEPUTY LORD MAYOR OF BRADFORD (Alderman W. Illingworth), replying, apologised for the absence of the Lord Mayor and Lady Mayoress. Bradford was still aiming to secure the long-deferred University status for its splendid technical college, where there were classes in accountancy. Good work was being done in the effort to help the trade revival by offering special attractions for the establishment of new industries in the area. (Applause.)

The MAYOR OF HALIFAX (Alderman Rufus Stirk, O.B.E.), who also responded to the toast, said he was a great believer in the value of modern accountancy, despite the fact that many a business man of a former generation had managed to make money without it. (Laughter.) In those halcyon days of old, when mill-owners and traders managed even without books of account, let alone accountants, they seemed to make a good deal more money than anybody was doing nowadays, with all the professional assistance that was available. (Laughter.) The accountancy profession had undoubtedly become a great factor in industry, though perhaps it owed its chief success to the wickedness of the taxation authorities. (Laughter.) If the accountants wanted any testimonial from himself, he was glad to admit that he had no ground of complaint at having to pay them a bill of five hundred guineas for work they did in helping him to deal with those intricate problems associated with the Excess Profits Duty. (Laughter and applause.)

The MAYOR OF KEIGHLEY (Alderman M. P. Cryer, F.S.A.A.), who likewise responded, said he had been a member of the Bradford and District Society of Incorporated Accountants ever since it was formed. He always watched Bradford activities with interest, alike because of his own former days there, and because, as Chairman of the Corporation Finance Committee of Keighley, it was his business to watch municipal activities in Bradford for what the smaller town might learn, and sometimes for the warnings it could get, from Bradford's behaviour. (Laughter and applause.)

Mr. H. RICHARDSON, M.Sc., Principal of Bradford Technical College, in proposing the toast of "The Society of Incorporated Accountants and Auditors," invited the gathering to share with him in congratulations to Mr. Thomas Keens on his recent appointment as Deputy Lieutenant of the County of Bedford, an honour well deserved. (Applause.) He was glad to hear Mr. Hepworth propose the toast of the City of Bradford in so hopeful a manner. That kind of optimism, from an industrialist, tended to counteract the gloom indicated by such stories as that he heard the other day, that the five great joint stock banks in London had become seriously alarmed by the rumour that at least one Bradford business house was actually in credit. (Laughter.) He was glad, also, that reference had been made to technical education. We in this country, despite anything said to the contrary, could make anything as well as any country in the world, and some things better. (Hear, hear.) That fact he attributed largely to the development of technical training and research. It was essential to get the pedantic mind to understand that a career in industry and in technological work was just as great and useful as a career in law or medicine or classics. (Hear, hear.) There was a real need for devotion of as much attention to the distributive side of industry as had in the past been given to the productive side. Commercial schools had done excellent work, but they had turned out young people who had a certain amount of knowledge of secretarial work and book-keeping, but no real conception of the deeper issues of accountancy. The Society of Incorporated Accountants had stood, and rightly so, for a conception of accountancy and commerce which included a real appreciation of the theory of business and a knowledge of its economic, financial and accounting aspects. He hoped the Society would continue to emphasise the great importance of that aspect of commerce in our educational institutions. (Hear, hear.) He saw no reason why a man who occupied a position as lecturer or reader in accounting should not rank as highly as the lecturer or reader in any other branch of technology

or of classics. (Hear, hear.) The sphere of the accountant in future was not going to be limited to figures; already to-day he was a most important factor on the business executives of the country. At the Bradford College they had developed—with the help and co-operation of local accountancy representatives—a Department of Commerce associated with the principal industrial activities of the area. That department, he was glad to know, was referred to in Sir Francis Goodenough's report on Distribution. In regard to the Society of Incorporated Accountants, Mr. Richardson said he would like to see certain wider developments in the scope of the Incorporated Accountants' examinations. At the Bradford College they had a very happy scheme of co-operation with the Institute of Bankers and the Chartered Institute of Secretaries, by which students at the College could be examined in part there in lieu of the ordinary examinations of the Institutes concerned, and this had been a very great boon to the students. Whilst there might be difficulties in such an arrangement from the point of view of the accountants, he offered the idea for the consideration of the Society's leaders. (Applause.)

Mr. THOMAS KEENS, D.L., F.S.A.A., responding to the toast, congratulated the Bradford Society on its successful gathering, and thanked Mr. Richardson for the manner in which he had proposed the toast and for the ideas and suggestions he had put forward. He shared with Bradford members the general regret that their President was not able to be present. The President's public pronouncements recently, on matters affecting the financial life of the country, had awakened an enormous amount of interest and he had conferred a great service on the profession by the stand he had recently taken on a most important matter. The Society of Incorporated Accountants and Auditors continued steadily to grow. Corrected up to December 14th, the membership roll—including three honorary members—numbered 5,664. That was an enormous advance on previous figures; and the number of candidates sitting at each examination showed a considerable increase on every previous examination. The severity of the examinations was such that the percentage of candidates who passed became less and less. Admission to the Society was very closely—and quite properly—guarded. The standard required was high and disciplinary control was severe. In regard to District Societies, Mr. Keens said he was, as Chairman of the Committee chiefly concerned with them, very keenly interested in their progress, and he took pride in their development in numbers and influence. Reports from all quarters testified continuous progress. He would be lacking in his duty as a member of the Council and a past-President if he did not express the thanks of the Council for the wonderful work which was being done by the voluntary officers of the District Societies—(hear, hear)—and in that respect he would like to take the opportunity of paying warm tribute to the services of Mr. Herbert Reynolds, who had quite recently retired from the Secretaryship of the Bradford Society after so many years of valuable work. (Applause.) The year 1931 had certainly not been uneventful for the accountancy profession. In 1929 it had been his privilege to lead a deputation of Incorporated Accountants to the International Congress on Accounting in America, and he had the privilege of paying a second visit to that country in 1931. In 1929 one had rather to apologise for the condition of things in Great Britain. There was a general tendency in America at that time to look with a pitying eye on this poor old country of ours, which was supposed to be showing signs of senility. In 1931 he was accosted on every hand by leaders of thought in the

professions, in banking and commerce, with the eager question, "Have you any suggestions to make to us? What can we do? We have this cataclysm with us and we have made no provision to meet it." What a difference! The accountancy profession in America had been stirred to its depths by the decision in the *Ultramares Corporation v. Touche* case. On return to England, he found every member of the profession on this side having to take note of cases which had occupied the Courts of this country of late. The action of their President in giving chief evidence, as he did, in the case against Mr. Morland deserved the approval of every accountant. (Hear, hear.) He did only what any professional man would have done in like circumstances. There were large issues raised by those actions, and they could not rest where they were. The Society had appointed a special Committee of five members, of whom he himself was one. It had not yet issued its report, and he could not therefore anticipate what that Committee would say, but at any rate he might be permitted to express approval of the leading article in the *Accountant* of January 9th, and regret that the opinion of Counsel taken by the sister Institute was so inconclusive. The accountancy profession rested on confidence. It was useless to deny that to some extent that confidence had been shaken, and it must at all costs be restored. (Hear, hear.) The year 1931 saw the third of the great mobilisations of this century. The first was in 1914, against a foreign foe; the second in 1926, against the threatened strangle-hold on industry by the General Strike; and the third in 1931, the protest of a whole people against the attempted domination of Parliament by any outside body whatever. (Applause.) The nation faced 1932 in a thoughtful but not a despondent mood. He agreed entirely with Sir Josiah Stamp that the day for make-believe in politics and refusal to face facts was over. Things had got so bad that we could reasonably expect the nation to get down to something like a clear view of the situation. Mr. Keens believed the height of wisdom was reached by the Balfour Note of 1923, the value of which had been abundantly demonstrated since. It was to be hoped the countries of the world would get down to facts and give trade and industry a chance. Bad as was the situation, there were hopeful factors. His listeners might have had their attention directed, as he had, to the fact that a clear analysis of unemployment figures in this country had shown that in seven years less than 3 per cent. of the males and 1.2 per cent. of the females had drawn unemployment benefit every year. It would appear, therefore, that the number of absolutely unemployables was extraordinarily small and that a large amount of unemployment had been temporary and of comparatively short duration. He must admit he had himself been surprised when he learned that, but it was from official statistics. All things considered, he thought a definitely hopeful point of view might be adopted, and he was certain that Incorporated Accountants were determined to render the greatest possible assistance to industry and commerce so that the days of prosperity might return, and we might again hold up our heads as the foremost manufacturing and distributing country of the world, and maintain a standard of living for our people as high as that of any country. (Applause.)

The CHAIRMAN proposed the toast of "The Guests," and made special reference to the presence of the representatives of kindred societies and professions. He agreed with Mr. Keens that the profession owed a great deal to the work of the District Societies. (Applause.)

SIR BENJAMIN DAWSON, Bart., J.P., responding in a

humorous speech, said that during the evening he had been scrutinising the faces of accountants and had been trying to find out from faces whether figures should be associated with soft or hard materials of work. (Laughter.) He had come to the conclusion that there was a soft kindness, but a definite assurance and look of confidence. (Laughter.) Sometimes, however, figures were hard—especially to the business man when they showed a loss on the balance sheet; but that would not harden the faces of accountants, because theirs were the balance sheets that never knew a loss. (Laughter and applause.)

Mr. JOSEPH TURNER, F.S.A.A., President of the Manchester District Society, also briefly responded.

The CHAIRMAN, in responding to an expression of thanks for his services to the Society, said the tribute should have been chiefly to the Hon. Secretary, and he wished personally to compliment Mr. Thomas M. Rhodes on the excellent manner in which he had organised that evening's function after so short an experience in the secretaryship. (Applause.)

PUBLIC AUDITORS

Under the Friendly and Industrial and Provident Societies Acts.

The Lords Commissioners of His Majesty's Treasury have been pleased to appoint the following Incorporated Accountants to act as Public Auditors for Great Britain for the year ending December 31st, 1932, under the provisions of the Friendly Societies Act, 1896 (59 & 60 Vict., cap. 25), and the Industrial and Provident Societies Acts, 1893 (56 & 57 Vict., cap. 39), viz :—

- Acock, R. G., 69, London Street, Norwich; Wayland Hall, Watton, Norfolk.
- Alban, F. J., Central Chambers, Newport, Mon.
- Alexander, J. H., City Chambers, East Parade, Leeds; 12, Gladstone Street, Cross Keys; York House, Blackwood (Mon.); Market Buildings, Ebbw Vale; 15, Commercial Street, Pontypool.
- Alexander, N., British Columbia House, 1, Regent Street, Waterloo Place, S.W.1.
- Allen, H. J., 37, Surrey Street, Sheffield.
- Amsdon, E. V., 22, Walbrook, E.C.4; 2, Premier Parade, Edgware; 22, High Street, Hitchin; 18, High Street, Beckenham.
- Andrews, E., 12, Abbey Square, Chester.
- Antoine, B. W., 2A, The Mall, Ealing, W.5.
- Armson, G. A., Bank House, 95, High Street, Lewisham, S.E.13; 58, Burnt Ash Lane, Bromley, Kent.
- Armstrong, J., 22, Station Road, Workington.
- Armstrong, J. W., Northern Assurance Buildings, 2, Collingwood Street, Newcastle-upon-Tyne.
- Arnold, C., 27, Bodfor Street, Rhyl; 1, Record Street, Ruthin, Denbighshire.
- Arnold, F. V., Midland Bank Chambers, North Street, Brighton; Midland Bank Chambers, 6, West Street, Horsham; Flint House, 44, South Street, Chichester.
- Ashworth, W., 7A, Yorkshire Street, Burnley.
- Atkins, J. R., 76, Derby Street, Macclesfield; 54, Lawton Street, Congleton.
- Baines, J. V., Curry's Chambers, 115, High Street, Stockton-on-Tees.
- Baker, W. B., 1, Silver Street, Berwick-on-Tweed.
- Barker, A. E. S., 22, Scarborough Street, West Hartlepool.
- Barrowcliff, C. Percy, 55 and 57, Albert Road, Middlesbrough.
- Bartlett, R. Wilson, 24, Bridge Street, Newport, Mon.
- Bayliss, L. M., Garlett House, Leighton Buzzard; Market Square, Buckingham.
- Bayliss, W. M., 16, Broad Street, Oxford.
- Beer, W. W., 17, Bedford Circus, Exeter; 15, Gold Street, Tiverton.
- Benbow, L., 2A, Sheep Street, Northampton.
- Benjafield, A. J., 30, Chamberlain Street, Wells, Somerset; 27, High Street, Glastonbury.
- Bennett, C. H., High Holborn House, High Holborn, W.C.1.
- Bicker, H. J., Exchange Buildings, Upper Hinton Road, Bournemouth.
- Binns, J., Exchange Buildings, Mirfield, Yorkshire.
- Black, W. C., 147, High Street, Newport, I.O.W.; 17, King's Terrace, Southsea; 57, High Street, Ventnor, I.O.W.
- Blythen, S., O.B.E., Victoria Chambers, Long Eaton.
- Bowen, G. Brinley, 22, Wind Street, Swansea.
- Braddy, C. W., 107A, High Street, Winchester.
- Bradley, E. R., 584, Christchurch Road, Boscombe.
- Branson, R. M., Allen House, Newarke Street, Leicester.
- Brazier, A. G., 15, Woodstock Road, Croydon.
- Brewer, A. H., 3, Wood Street, Queen Square, Bath.
- Broadbent, J. W., 34, Kensington Road, Oldham.
- Brodie, J. Paterson, Moor House, Moorland Road, Burslem; 1, Hoghton Street, Southport.
- Brodie, R. M., 29, Scale Lane, Hull.
- Bromfield, J. H., The Burrage, Dingle Road, Pedmore, near Stourbridge.
- Brown, E. T., Gresham Chambers, Lichfield Street, Wolverhampton; Barclays Bank Chambers, Bilston.
- Bryant, A. C., 18, St. Augustines Parade, Bristol.
- Buckle, C. D., 13, Cheapside, Bradford.
- Buckley, A. N., Union Chambers, 45 and 47, Commercial Street, Halifax.
- Bull, E., Bank Chambers, Devizes; 47, Market Place, Warminster.
- Burgess, G. W., 14, St. Mary Axe, Leadenhall Street, E.C.3.
- Burlinson, W. D., Union Bank Chambers, Batley.
- Bush, B., 18, Eldon Square, Newcastle-on-Tyne.
- Butler, J., 66, Albion Street, Leeds.
- Carr, E. R., Stamford Bank Chambers, 10, Gallowtree Gate, Leicester; Savings Bank Chambers, Nottingham Street, Melton Mowbray.
- Carr, W., 27, Regent Street, Barnsley.
- Carter, E., County Chambers, King Street, Wakefield.
- Cattell, W. C., Bank Chambers, High Street, Kettering; Argus Chambers, High Street, Rushden.
- Cessford, J. C., 23, Albany Street, Edinburgh.
- Chadwick, A., 16, Bolton Street, Bury, Lancs.; 8, Garden Street, Ramsbottom, Lancs.
- Charles, W. H., 3, Greenfield Villas, Llanelly.
- Claridge, C. E., 53, Well Street, Bradford.
- Clark, W., County Bank Chambers, Bradshawgate, Leigh, Lancs.
- Clarke, F. N., 4, Pavilion Buildings, Brighton; Town Hall Chambers, Horsham.
- Clarke, S. W., 31, Castle Hill, Lancaster.
- Clarkson, J. P., 16, Devonshire Square, Bishopsgate Street, E.C.2.
- Clarkson, P. D. J., 14, Winckley Square, Preston; Kent's Bank Road, Grange-over-Sands, Lancs.
- Clayton, W., Milton Chambers, Milton Street, Nottingham.
- Clinch, S. H., M.B.E., 119, Moorgate, E.C.2; Hurdis House, Broad Street, Seaford, Sussex.
- Clutterbuck, S. E., M.B.E., 31, Queen Street, Cardiff; Midland Bank Chambers, Pentre, Glam.
- Coates, F. W., 10, Albert Road, Middlesbrough; 5, The Crescent, Redcar.
- Condie, J., 3, East Port, Dunfermline; 1A, Candleriggs, Alloa.
- Cooper, D., Old Colony House, South King Street, Manchester.
- Costello, J. E., 90, Cannon Street, E.C.4.
- Cox, H. J., Cardiff Chambers, 4, Cardiff Road, Luton; 2, Vaughan Road, Harpenden, Herts.
- Cozens, L. J., 8, East Stockwell Street, Colchester.

- Crompton, W., 380-6, and 351-3, Produce Exchange, Hanging Ditch, Manchester.
- Crowe, S. E., 1, Albion Street, Leeds.
- Crowther, E., 10, Regent Street, Barnsley.
- Cryer, F. J., 5, Princes Square, Harrogate; Market Place, Ripon.
- Cryer, M. P., Old Bank Chambers, Keighley.
- Cunliffe, A. R., Station Buildings, 24, Railway Street, Nelson.
- Daffern, T. W., O.B.E., 19-20, High Street, Coventry; 16, The Parade, Solihull, Warwick.
- Davey, H., 1, Crown Court, Wakefield.
- Davies, T., Wyndham House, Bridgend.
- Davies, Trevor, 160, High Street, Camden Town, N.W.1.
- Davis, B. T., 6, New Street, Birmingham.
- Davis, R., 28, High Street, Swindon.
- Deacon, A. G., 13, St. Ann Street, Manchester.
- Dudbridge, J. S., 8, Lansdown, Stroud, Glos.
- Dudbridge, S., 8, Lansdown, Stroud, Glos.; Queen Street Chambers, Gloucester.
- Duncan, D. C. N., Barclays Bank Chambers, 55, High Street, Grantham.
- Dunlop, R. T., 45, Renfield Street, Glasgow.
- Duthie, R. Simpson, Sun Chambers, 36, Lowther Street, Carlisle.
- Dyer, C. E., 32, Milton Park, Highgate, N.6; West View, 94, Woodlands Avenue, Finchley, N.3.
- Dyer, S. A., 5, Fenwick Street, Liverpool.
- Eaves, W., 47, Mosley Street, Manchester; County Bank Chambers, Chapel Street, Tyldesley.
- Ednie, A., 7, St. Paul's Square, Bedford.
- Edwards, A. H., 22, High East Street, Dorchester.
- Edwards, H., Cornhill Chambers, Christina Street, Swansea.
- Edwards, R. H., Bank Chambers, 26, Mosley Street, Newcastle-on-Tyne.
- Elliott, E. A., 18, Market Street, Heywood, Lancs.
- Evans, H. R., 17, George Street, St. Helens; Westminster Bank Chambers, Church Street, Prescott, Lancs.
- Evans, T. A., Ffrwd Offices, Mountain Ash.
- Evershed, A. E., Sundial House, 49 and 50, High Street, Guildford; 1A, High Street, Camberley.
- Fearnhead, J., 20 and 22, High Street, Chorley, Lancs.
- Feek, A. J., High Street, Pershore, Worcester.
- Feist, H. J. B., Oriel Buildings, Rectory Grove, Leigh-on-Sea.
- Feneyhough, M. P., 6, Commerce Street, Longton, Staffs.; 23, Market Street, Hednesford, Staffs.
- Ferry, G. A., Prudential Chambers, 6-8, Bank Street, Carlisle.
- Ford, W. J., 28, Baldwin Street, Bristol.
- Fortune, G. W., 26, Forrest Road, Edinburgh.
- Foster, S. E., 29, Bank Street, Ashford, Kent.
- Fox, F. W., 14, King Street, Leicester.
- Fox, W. H., Drury Chambers, Market Square, Northampton.
- Freeborough, J. H., 25, Figtree Lane, Sheffield.
- Friend, A. H., 15, Alexandra Place, Newbridge, Mon.
- Fry, F. W., 27, Clement's Lane, Lombard Street, E.C.4.
- Funnell, F. C., 104, Great Russell Street, W.C.1.
- Gair, R., Emerson Chambers, Blackett Street, Newcastle-on-Tyne.
- Gait, A., 1, The Foundry Bridge, Abertillery.
- Gardiner, H. T. Gore, Gore House, Cawley Road, London, E.9.
- Gerrard, R., 71 and 73, Lee Lane, Horwich, Lancs.
- Gil, F., Martins Bank Chambers, Bradford.
- Girling, A. F. J., Eldon Buildings, 20, Eldon Street, Barnsley.
- Goulding, E. S., O.B.E., 19, Sweeting Street, Liverpool.
- Gowen, H. P., 7, Queen Street, Norwich; The Square, Fakenham, Norfolk; 13, Market Place, East Dereham.
- Grassam, J., 32, Alliance Avenue, Anlaby Road, Hull.
- Greenhalgh, T., Clifton Chambers, 23A, Clifton Street, Blackpool; William Deacons Bank Chambers, St. Annes-on-Sea.
- Greenwood, A., Old Borough Chambers, 20, Bond Street, Dewsbury.
- Griffin, C. E. B., Bank Chambers, 8, Church Street, St. Helens.
- Griffin, G. R., Newton Chambers, 43, Cannon Street, Birmingham.
- Griffith, F., Westmorland Chambers, Kendal.
- Griffith, R. O., 44, Cannon Street, Preston; 40, Poulton Street, Kirkham.
- Griffiths, J. P., 10, Clarence Place, Docks, Cardiff.
- Grimwood, Lt.-Col. J., C.B., D.S.O., O.B.E., St. Stephens House, 2, Coleman Street, E.C.2.
- Groves, T. J., 14, Scarborough Street, West Hartlepool.
- Hackett, P. R., 36, Cannon Street, Birmingham.
- Hallett, A., Studio Buildings, Regent Street, Wrexham.
- Denbigh; Lloyds Bank Chambers, Ellesmere, Salop.
- Hanson, F. W., Court Chambers, Jessop Street, Castleford, Yorks; Chapel Lane, Kippax.
- Hargreaves, F., Bow Chambers, 55, Cross Street, Manchester.
- Harper, F. C., 3-4, Clement's Inn, W.C.2.
- Harris, H., 2 and 4, East Circus Street, Park Row, Nottingham.
- Harrison, C. D., Messrs. John Potter & Harrison, 22, Birley Street, Blackpool; Messrs. John Potter and Harrison, 28, The Square, St. Annes-on-Sea.
- Harrison, E., 23, Highbury, Newcastle-on-Tyne.
- Harrison, H. C., 94, High Street, Stourbridge.
- Hayden, G. D., Market Place, Holt, Norfolk.
- Hayes, P. R., Midland Bank Chambers, High Street, Wrexham; Compton House, Corwen, Merioneth.
- Hayhow, G. S., Purdy's Court, 84A, High Street, King's Lynn.
- Heatley, R., Temple Chambers, 33, Brazennose Street, Manchester.
- Heckels, R. D., 65, Coleraine Road, Blackheath, S.E.3.
- Henderson, A., 62, Cross Street, Frazerburgh.
- Henshall, J., 29, Eastgate Row North, Chester.
- Hepburn, A. E., Abford House, Wilton Road, Victoria Station, S.W.1.
- Hill, A. H., 257, Wells Road, Knowle, Bristol.
- Hirst, G. L., 8, Bond Street, Dewsbury.
- Hirst, J. W. A., 28, Queen Street, Albert Square, Manchester.
- Hobbs, A. M., 64, Great Portland Street, W.1.
- Hodge, H., National Provincial Chambers, High Street, Kettering.
- Hodgson, R. T., 96, High Street, Stockton-on-Tees.
- Hodgson, T., 4, Piccadilly, Manchester.
- Holliday, C. A., Empire House, St. Martins-le-Grand, E.C.1.
- Hollows, R., 33A, King Street, Wigan.
- Holman, W. J., 11, Queen Victoria Street, E.C.4.
- Holmes, H., Ropergate End, Pontefract.
- Holmes, J. T. L., Midland Bank Chambers, Colwyn Bay.
- Homersham, Miss M. M., 106, St. Clement's House, Clement's Lane, E.C.4; 5, Thoroughfare, Woodbridge, Suffolk.
- Horsfield, A., Silver Street Chambers, Bury.
- Horsfield, H. A., Clough's Buildings, 21, Forster Square, Bradford.
- Hort, J. H., 202, Stanley Road, Bootle.
- Hubbard, F. L., 41, Havelock Road, Hastings; Endwell Chambers, Endwell Road, Bexhill-on-Sea.
- Hudson, T., 53, Well Street, Bradford.
- Hustwick, W., 70, Kirkgate, Bradford.
- Hutcheson, G. W., 44, Biddulph Mansions, W.9.
- Ingram, A. J., 32, West Sunniside, Sunderland.
- Jack, W. Harris, 38, Bath Street, Glasgow.
- James, H. M., Turnbills Chambers, 14, High Street, Coventry.
- Jenkins, W. R. L., 71, Bridge Street, Newport, Mon.
- Jennings, F., Borough Chambers, Neath; Herbert Street, Pontardawe.
- Jessap, C. T., M.B.E., Barlow Chambers, Lumley Road, Skegness.
- Johnson, A. J., 35, Southgate Street, Winchester.
- Johnson, E. W., Arcade Chambers, Wigan.
- Johnson, S., 5, Lower Temple Street, Birmingham.
- Johnstone, W., 13, Church Street, Kidderminster.

- Jones, E. Furnival, 4, Fenchurch Avenue, E.C.3.
 Jones, H. B., 5, Philpot Lane, E.C.3; 102, Queen Street, Maidenhead.
 Judge, W. A., High Street, Skipton.
- Keens, A. T., 45, High Street, Aylesbury, Bucks.
 Keens, Thomas, D.L., 11, George Street West, Luton; Greenhill Chambers, 2, St. Anne's Road, Harrow-on-the-Hill, Middlesex; 69, High Street, Stony Stratford, Bucks.; 60, High Street, Newport Pagnell, Bucks.; 15, Market Square, Buckingham; 6, Tilehouse Street, Hitchin.
 Kenyon, F. T., Midland Bank Chambers, Penrith; Main Street, Keswick.
 Keys, C., Athenæum Chambers, 71, Temple Row, Birmingham; 321, High Street, West Bromwich.
 King, G. C., 110, Edmund Street, Birmingham.
 Kneale, H. E., St. George's Chambers, 1, Athol Street, Douglas, Isle of Man; Victoria Chambers, Parliament Street, Ramsey, Isle of Man.
- Lake, J., 9-12, Gower Chambers, Gower Street, Swansea.
 Lambert, W. E., Essex House, High Street, Stratford, E.15.
 Larder, C., Camomile Street Chambers, Bishopsgate, E.C.3.
 Larking, C. G., Invicta Chambers, Pudding Lane, Maidstone; 23, Railway Street, Chatham.
 Larking, R. C., Commercial Chambers, Orford Place, Norwich.
 Lashmore, C. S., 2, Church Street, Cardiff.
 Law, E. I. (A. & E. Law & Co.), Kingscourt, Bridge Street, Walsall; High Street, Northallerton.
 Lawson, G. R., Palmerston Buildings, 5, Manor Row, Bradford.
 Laycock, S., Barclays Bank Chambers, North Street, Keighley.
 Lazenby, H., Wilson's Chambers, 7, Greek Street, Leeds.
 Leah, H. B., 9, Warren Street, Stockport.
 Lee, F., 7, Balmoral Chambers, Cloth Hall Street, Huddersfield.
 Lentell, C. I., Montpelier Chambers, Sidmouth Street, Seaton, Devon; 49, Broad Street, Lyme Regis.
 Liversidge, H. G., Imperial Buildings, Rotherham.
 Lloyd, J. T., 63, Fore Street, Trowbridge.
 Lloyd, W., Priory Buildings, Priory Street, Dudley, Wores.
 Lloyd-Roberts, J., Public Audit Offices, 2, Church Street, Carnarvon; "Cemlyn," Harlech, Merioneth.
 Lock, F. J., 23, Eastbury Road, Watford.
 Lowe, J. T., 1, Finkle Street, Kendal, Westmorland.
- McCutcheon, R. T., 113, St. Vincent Street, Glasgow, C.2.
 McDonald, T. W., 98, Palmerston Road, Wood Green, London, N.22.
 Macintyre, A., Muirbrow Chambers, 118, Cadzow Street, Hamilton.
 Mahon, F., 4-5, Oriental Chambers, Doncaster.
 Mair, A. J., 5, Frederick Street, Sunderland.
 Marshall, S. W., 107A, Mortimer Street, Herne Bay, Kent; Town Hall Chambers, Westgate-on-Sea, Kent; 76, High Street, Broadstairs; The Square, Birchington.
 Martin, J. W., 17, Dormer Place, Leamington Spa, Warwickshire.
 Mason, E. H., 9, Clarence Street, Cheltenham.
 Mawson, J. D., 51, Boileau Road, Ealing, W.5.
 Mayhew, W. O., 62, Oxford Street, W.1; Richmond Road, Bognor Regis.
 Merchant, H. A., 48, Uxbridge Road, Ealing, W.5; 25, The Broadway, Southall, Middlesex.
 Metcalfe, S., 9, Swinnow Drive, Pudsey.
 Millman, H. T., Allen House, Newarke Street, Leicester.
 Mills, F. W. T., 6, Priory Place, Doncaster; 167, High Street, Scunthorpe.
 Milne, R., 68, Bath Street, Glasgow.
 Miskin, A., 8, Portland Street, Southampton.
 Moffat, F., 126, High Street, Falkirk.
 Moger, J. R., Martins Bank Chambers, Cleckheaton, Yorkshire.
 Moores, C. S., 15, Bedford Circus, Exeter.
- Morgan, E. C., Crown Chambers, High Street, Newtown, Montgomery.
 Mortimer, A. G., Prudential Buildings, 189, Hoe Street, Walthamstow, E.17.
 Moss, F., Market Place, Ashton-under-Lyne.
 Moulton, P. A., 21, Regent Street, Barnsley.
 Moustardier, M., 69, Downs Road, Clapton, E.5; 50, Castle Road, Southsea.
 Mullens, G. G., 49, Station Road, Port Talbot.
- Naylor, R. O., 71, Chatsworth Road, Morecambe; The School House, Tebay.
 Neill, A., Westminster Bank Chambers, 196 and 198, High Street, Stoke Newington, N.16.
 Nelson, C. Hewetson, 43, Castle Street, Liverpool.
 Nicholson, J., 185, High Street, Lincoln; Market Rasen, Lincs.
 Norfolk, W. J., 8, Colne Road, Clacton-on-Sea.
- Oates, G. G., 4 and 5, Oriental Chambers, Doncaster.
 Oldfield, J. W., 5, Rose Grove, Mytholmroyd, Yorks.
 Oldfield, W., 72, Castle Street, Hinkley.
 Oldman, A. S., 27, North Albert Street, Fleetwood, Lancs.
 Oxley, H., 22, Regent Street, Barnsley.
- Page, J. C., May Buildings, 51, North John Street, Liverpool.
 Palmer, A. J., 5, West Street, Fareham, Hants.
 Palmer, E. H., Bentinck Buildings, Wheeler Gate, Nottingham.
 Paterson, James, 13, Hamilton Street, Greenock; 18, Castle Street, Rothesay, Bute.
 Payne, C. C., 6, Market Place, North Walsham, Norfolk; Red Lion Street, Aylsham.
 Payne, W. H., 8 and 9, Martin Lane, Cannon Street, E.C.4.
 Pearce, E. E., Charles Street Chambers, 4, Charles Street, Cardiff.
 Pearce, M. E. J., 102, High Street, Poole, Dorset.
 Pearson, W., 5, Godwin Street, Bradford, Yorks.
 Pellatt, A. P., 58, Cheriton Road, Folkestone; 132a, High Street, Hythe, Kent.
 Petric, J. McR., Bank Buildings, Bacup.
 Pettitt, S. R., Lloyd's Bank Chambers, 45-47, Old Christchurch Road, Bournemouth.
 Platts, T. H., 126, Colmore Row, Birmingham.
 Pocock, B. G., 90, Leith Mansions, Maida Vale, W.9.
 Pratt, A. J. S., 102, Victoria Road North, Portsmouth.
 Pratt, H. W., Church Way, Well nborough.
 Prior, F. A., General Buildings, Bridlesmith Gate, Nottingham.
 Procter, S., County Bank Chambers, 41, Burnley Road, Padiham, Lancs.
 Pugh, A. E., 19, Carlton Chambers, High Street, Newport, Mon.
- Rawlinson, E. B., Netherwood Chambers, 1A, Manor Row, Bradford.
 Rees, W. H. S., 1, Charlesville Place, Neath, S. Wales; The Docks, Milford Haven.
 Revell, H. W., Prudential Buildings, New Street, Huddersfield.
 Revell, T., Standard Buildings, City Square, Leeds.
 Reynolds, J. W., 49, Bank Street, Bradford.
 Rhodes, J., 31, Manor Row, Bradford.
 Riches, E. J., 12, Bank Street, Norwich; 33, Church Street, Cromer.
 Riddington, C. R., Crown Buildings, Loseby Lane, Leicester.
 Riley, H., 14, Park Square, Leeds; Layton Road, Rawdon, near Leeds; Tinsill Lane, Horsforth, near Leeds.
 Ritchie, P. G., 88, Bath Street, Glasgow.
 Robathan, P. E., Imperial Buildings, Mount Stuart Square, Cardiff.
 Rodger, T., 29, Grainger Street West, Newcastle-on-Tyne.
 Rogerson, C. E., York House, 12, York Street, Manchester.
 Rollinson, C. E., Westgate Chambers, Newport, Mon.
 Rowe, C. N., Town Hall Chambers, Bromsgrove.
 Rowland, F. S., 90, Pilgrim Street, Newcastle-on-Tyne.
 Ryland, H. C., 298, High Road, Chiswick, W.4.

- Scarlett, C. S., 5, Cecil Square, Margate; 36, High Street, Ramsgate.
 Schofield, A., 16 and 17, East Parade, Leeds.
 Searle, A. B., 17, High Street, Saffron Walden, Essex.
 Shaw, E. B., Imperial Chambers, 43, New Street, Huddersfield.
 Shepherd, J. W., C.B.E., 78, King Street, Manchester.
 Shepherd, W. A., 50, Tredgar Street, Risca, Mon.
 Sievwright, W. B., 3, Kinnoull Street, Perth.
 Simmonds, H. J., 1, Tremadoc Road, Clapham, S.W.4.
 Sinclair, G. N., Prudential Chambers, Oswestry.
 Singleton, J. T., Grosvenor Chambers, 23, King Street, Nottingham.
 Slater, H., 5, St. Andrew's Street, Cambridge; Eaton House, High Street, Newmarket; High Street, St. Neots.
 Slater, J. T., 11, Queen Street, Oldham.
 Sleeman, A. W., Portland Chambers, Gower Street, Swansea.
 Smith, O. H., 64, New Road, Chippenham, Wiltshire.
 Smith, W., 56, London Road North, Lowestoft.
 Snow, W. Keller, 55, Quarry Street, Guildford; 4 and 5, Station Hill, Farnham, Surrey; 4, Carfax, Horsham, Sussex.
 Soddy, R. J., 55, Gildredge Road, Eastbourne.
 Sowerbutts, T. W., 16, St. Mary's Parsonage, Manchester.
 Sparrow, G. W., 9, Corridor Chambers, Leicester.
 Spicer, R. C., 5, Bank Plain, Norwich.
 Starkie, R. E., Greek Street Chambers, Leeds.
 Stembridge, P. G., Town Hall, Droitwich Spa.
 Stephens, C. T., Post Office Chambers, Pontllanfraith, Mon.
 Stephens, F. W., Liverpool House, 15-17, Eldon Street, E.C.2.
 Stephenson, Joseph, O.B.E., Queen Street Chambers, Peterborough; Queens Chambers, Boston; Portland Chambers, Market Place, Spalding; 22, Castlegate, Newark-on-Trent; Broadway, St. Ives, Hunts.; 17, High Street, Stamford; 1, Grays Lane, March; 30, High Street, Huntingdon; Lamb Corner, Ely; Park Street, Chatteris; Barclays Bank Chambers, 81, High Street, Scunthorpe; 11, Market Chambers, St. Neots, Hunts.; 13, Market Place, Brigg; Foresters Hall, Long Sutton; 28, St. Thomas Street, Weymouth; The Hall, Thorne; 11, Lion Street, Brecon.
 Storey, R. G., 8, Oxford Chambers, St. Stephen Street, Bristol.
 Stott, W., 54, Stuart Road, Waterloo, Liverpool.
 Sturges, H. H., 1, Guildhall Chambers, 31, Basinghall Street, E.C.2.
 Sunderland, W., Craven Bank Chambers, North Street, Keighley.
 Tamplin, J., Westgate Chambers, Newport, Mon.
 Tessier, A. N., 279, Borough High Street, S.E.1.
 Thomas, D. B., Post Office Chambers, Merthyr Tydfil; Bryn Taf Offices, Treharris, Glam.; 7, Cross Morlais Street, Dowlais, Glam.
 Thomson, J., The Crescent, 115, Drake Street, Rochdale, Lancs.
 Thomson, R. C., Meadow House, 64, Reform Street, Dundee.
 Thornley, J. C., 44, King Street, King's Lynn; High Street, Hunstanton.
 Thurgood, J., 61, High Street, Mexborough.
 Townsend, H., 16, Weston Park, Crouch End, N.8.
 Tullett, W., Market Place, Darlington.
 Tunbridge, S. T., 6, South Quay, Great Yarmouth.
 Tyler, G. H., Central House, 75, New Street, Birmingham.
 Vizard, L., 2, Clarence Parade, Cheltenham.
 Vizard, L. N., 2, Clarence Parade, Cheltenham.
 Walker, G. H., 37, Southgate, Halifax.
 Walker, Percy H., 4, Park Place, Cardiff; The Arcade, Cowes, I.O.W.
 Walker, R. B., 1, Richmond Terrace, Blackburn.
 Walker, W., 7, Greek Street, Leeds.
 Wallace, W. D., 48, Loughborough Road, Kirkcaldy.
 Walters, W. L. J., Masonic Chambers, Gillingham, Dorset; Market Square, Sturminster Newton.
 Walters, W. T., Middle Street, Yeovil.
 Walton, A., 7, Bond Place, Leeds.
 Walton, N. H., Midland Bank Chambers, Sunderland.
 Ward, A., Martins Bank Chambers, 25, Sunbridge Road, Bradford.
 Wareing, J., 11, Chapel Street, Preston.
 Warrington, W. H., Overbury, Tewkesbury.
 Warren, F. J., M.B.E., 3, Victoria Place, Haverfordwest; Britannia Stores, Cardigan; Savings Bank, Main Street, Pembroke; The Docks, Milford Haven.
 Watson, A., County Buildings, 4, Cannon Street, Manchester.
 Watson, O. A., 10, Peacock Lane, Leicester.
 Watts, Miss E., 77, Chandos House, Palmer Street, Victoria Street, S.W.1.
 Waud, N., "Melrose House," St. Sampson's Square, York.
 Webb, E., 34, Grand Parade, Brighton.
 Wells, C. H., Independent Buildings, 21, Fargate, Sheffield.
 West, H. W., Bank House, 618, Romford Road, Manor Park, E.12.
 White, A. M., Erskine Chambers, 15, Grainger Street West, Newcastle-on-Tyne.
 White, E. G., Bank Chambers, Lammas Street, Carmarthen; 33, Quay Street, Ammanford.
 White, J. C., 32 and 34, High Street, Sutton, Surrey.
 White, P., M.B.E., 6, Sussex Terrace, Princess Square, Plymouth.
 Whiting, W. F., Bridge Buildings, Nene Quay, Wisbech; Market Place, March.
 Williams, E. Clarke, 65, Oxford Street, Whitstable.
 Williams, E. J., Exchange Buildings, 14, Lowther Street, Carlisle.
 Williams, E. K., Marldon Chambers, 30, North John Street, Liverpool.
 Williams, G. R., 26, Windsor Place, Cardiff.
 Williamson, J. H., Market Place, Ashton-under-Lyne.
 Windle, R. S., Midland Bank Chambers, Barnoldswick.
 Witty, Richard A., 6, Dowgate Hill, Cannon Street, E.C.4.
 Wolstenholme, E. J., Crown Chambers, 36, Yorkshire Street, Rochdale; 40, Market Place, Middleton.
 Wood, D., M.B.E., 73, Windsor Avenue, Hillingdon, Middlesex.
 Wood, H., 179, Dock Street, Newport, Mon.
 Woolley, F., 8 and 10, Portland Terrace, Southampton; 18, St. Thomas Street, Lymington.
 Yearsley, A., 84, Warrington Street, Ashton-under-Lyne.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Meeting of the Scottish Council.

A meeting of the Council of the Scottish Branch was held in Glasgow on the 20th ult., Mr. J. Stewart Seggie, President of the Branch, in the chair.

In addition to the usual business, reports were given as to the work of the Students' Society and on the successful inauguration of the Aberdeen and District Students' Society on January 13th. Various matters connected with the work of the Society and with the interests of the members in Scotland were discussed and referred to the London Council or otherwise dealt with.

Aberdeen and District Students' Society.

The inaugural meeting of the above Society was held in Aberdeen on the 13th ult., when the members were addressed by Mr. J. Stewart Seggie, President of the Scottish Branch, on "Secret Reserves." Mr. Alexander Davidson, F.S.A.A., Peterhead, presided over a good attendance, and was supported by Mr. James Paterson, Secretary of the Scottish Branch, Mr. D. R. Bishop, A.S.A.A., Assistant City Chamberlain of Aberdeen; Mr. Wm. Webster, A.S.A.A., Town Chamberlain, Peterhead; Mr. Frank Baker, A.S.A.A.; Mr. J. J. Sutherland,

A.S.A.A.; and Mr. Colin Mackenzie, A.S.A.A., Aberdeen. Mr. Seggie urged that greater attention should be paid to the training in the science of accountancy. A fuller report of the address will appear in a later issue.

Dinner in Aberdeen.

The Aberdeen and District Incorporated Students' Society entertained Mr. J. Stewart Seggie, President, and Mr. James Paterson, Secretary of the Scottish Branch, to dinner, in the Caledonian Hotel. Mr. Alexander Davidson, F.S.A.A., Town Clerk of Peterhead, presided. There were also present: Mr. Frank Baker, A.S.A.A., Mr. J. J. Sutherland, A.S.A.A., Mr. D. R. Bishop, A.S.A.A., Mr. Colin Mackenzie, A.S.A.A., Mr. F. R. Smith, Mr. W. A. Duff, Aberdeen; Mr. Wm. Webster, A.S.A.A., Mr. Alex. Blackhall, Mr. Norman Cumming, Mr. James Duthie, Mr. Alex. McGarrell, Mr. J. R. Thomson, and Mr. H. W. Wakefield, Peterhead. After dinner, Mr. Davidson, in the course of his remarks, said it had been necessary, in order to comply with the bye-laws, to have a students' section or society in the Aberdeen district, and it gave them great pleasure to have Mr. Seggie and Mr. Paterson present with them to encourage the work of the Student's Society. Mr. Seggie congratulated the Society on the successful opening that had been made. Mr. James Paterson proposed success to the Aberdeen and District Students' Society, which was replied to by Mr. Norman Cumming, Peterhead. Remarks were also made by Mr. F. Baker, Mr. Wm. Webster, Mr. J. J. Sutherland, and others, and a very happy evening was spent.

Corporation of Squarmen.

The annual convocation of this body, which, although in no way connected with Grand Lodge, yet has as one of the conditions of membership that a candidate for admission must be a Freemason, held its annual meeting in Edinburgh on New Year's Day, when Mr. J. Stewart Seggie, C.A., F.S.A.A., was elected Worthy Deacon (or President) for the sixth year in succession.

A Generous Benefactor.

In the December issue of the *Incorporated Accountants' Journal* reference was made to the generosity of Mr. W. Davidson Hall, F.S.A.A., Glasgow, in carrying out, at his own expense, the whole work of renovating and decorating St. George's Parish Church, the central city church of Glasgow, in memory of his father and sister, and also as a memorial to his wife. Since then we learn that Mr. Davidson Hall also undertook to be personally responsible for a large share of the reconstruction, renovation, and additions to the church and certain of the offices of St. John's Wesleyan Church, Glasgow, as a permanent memorial to the memory of his wife, who was for many years a member of and an earnest worker in this congregation. The appreciation of the congregation was shown last month by the unveiling of a bronze tablet in memory of Mrs. Davidson Hall.

Relation of Bank and Customer.

A lecture was given in the Accountants' Hall, by Mr. W. D. Esslemont, advocate in Aberdeen and lecturer on Mercantile Law in Aberdeen University, on "A Bank's Remedies against its Customers for the recovery of Debts." At the outset, Mr. Esslemont said that it was now well-established that the ordinary relation between a bank and its customer was that of creditor and debtor, and not that of principal and agent, or trustee and beneficiary. After referring to the procedure necessary to recover debts, he explained the principal diligences available for that purpose. The principal "diligences," he said, were arrestment, poinding, inhibition, and adjudication, the two former being used against the movable property of the debtor, and the two latter against his heritable property. The action of multiplepoinding, he added, was peculiar

to Scotland. In that process a fund claimed by any number of competing claimants was lodged in Court, where the various claimants fought the matter out. Mr. Esslemont later dealt with the position when the bank's debtor was a firm, and the incidence of liability where there was a change of constitution of the firm. The Partnership Act of 1890 provided that a person who became a partner of an existing firm was not liable to its creditors for anything done before he became a partner, but some qualification might have to be made on that rule where the stock-in-trade and whole assets of a going business were taken over by the new firm. A retiring partner was liable for debts incurred while he was a partner, and to relieve himself of liability for future debts he must intimate his retirement to the firm's creditors.

Notes on Legal Cases.

BILLS OF EXCHANGE.

Slingsby v. District Bank Limited.

Alteration of Cheque.

In drawing a cheque, a blank space was left after the name of the payee. C, after the cheque was signed, fraudulently inserted the words "per C. & P.," the name of his firm, between the name of the payee and the words "or order," and paid it into the account of a company to which he was indebted.

It was held by the Court of Appeal, affirming the decision of Wright (J.) (see *Incorporated Accountants' Journal*, October, 1931, p. 35), that the cheque, having been fraudulently altered by C. in a material particular, was avoided under sect. 64 of the Bills of Exchange Act, 1882; that it was not properly endorsed; that the protection given to a bank by sects. 80 and 82 was excluded by the fact of the alteration having avoided the cheque; that it was not a usual precaution to draw a line so as to prevent the making of an insertion between the name of the payee and the words "or order"; and that the plaintiffs had not done anything to represent C as having authority to act as he did.

(C.A.; (1931) 48 T.L.R., 114.)

COMPANY LAW.

In re W. Burn & Co.

Reduction of Capital.

Under sect. 55 of the Companies Act, 1929, a limited company resolved that in respect of each fully-paid £1 share of its issued capital the sum of 2s. 6d. be paid off "upon the footing that the amount so returned or any part thereof may be again called up." The company petitioned the Court for confirmation of the reduction of capital.

The Court of Session held that the form of reduction was competent under sect. 55 and confirmed the reduction. (C.S.; (1931) S.C., 701.)

INSOLVENCY.

In re Barnard.

Limited Partnership.

W. H. B. was the sole general partner in two limited partnerships. He accepted a bill of exchange in the name of the S. M. Company as managing partner thereof. He was adjudicated bankrupt in the name of one partnership and subsequently in the name of the S. M. Company, the other partnership.

It was held that he was personally liable for the debt and it was provable in the first bankruptcy.

(Ch.; (1931) W.N., 257.)